SENATE—*Tuesday, August 4, 1987*

The Senate met at 11 a.m. and was called to order by the Honorable TERRY SANFORD, a Senator from the State of North Carolina.

PRAYER

The Chaplain, the Reverend Richard C. Halverson, D.D., offered the following prayer:

Let us pray:

The Lord is my shepherd. I shall not want * * *.—Psalm 23:1.

Loving God, those precious words of King David, so familiar to all of us, remind us of constant daily benefits so routinely received that we fail to acknowledge them and be thankful. We slept in comfortable beds last night. Many had no place to sleep. We were able to get out of bed. Many did not. We wanted to get out of bed. Many did not. We enjoyed the luxury of bath or shower. Many have no water to drink. We had a good breakfast. Many did not. We came to work. Many had no work to come to. We can see and hear and think and feel and walk. Many cannot. Most of us always have more than we need of everything. Many never have enough of anything they need. Faithful Father in heaven, our lives are filled with blessing. Many of us live as though You are nonexistent and unimportant. Forgive us, Gracious God, for our negligence in appreciation. Help us to be thankful. In Jesus' name. Amen.

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore [Mr. STENNIS].

The legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, DC, August 4, 1987.

To the Senate:

Under the provisions of rule I, section 3, of the Standing Rules of the Senate, I hereby appoint the Honorable TERRY SANFORD, a Senator from the State of North Carolina, to perform the duties of the Chair.

JOHN C. STENNIS,
President pro tempore.

Mr. SANFORD thereupon assumed the chair as Acting President pro tempore.

RECOGNITION OF THE MAJORITY LEADER

The ACTING PRESIDENT pro tempore. The majority leader is recognized.

THE JOURNAL

Mr. BYRD. Mr. President, I ask unanimous consent that the Journal of the proceedings be approved to date.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

RESERVATION OF LEADERSHIP TIME

Mr. BYRD. Mr. President, I ask unanimous consent that the time of the distinguished Republican leader be reserved for his use.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BYRD. Mr. President, I ask unanimous consent that I may reserve my time.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, there will now be a period for the transaction of morning business not to extend beyond 11:30 a.m., with Senators permitted to speak therein for not to exceed 5 minutes.

OVERALL THE CONGRESS HAS REDUCED REAGAN SPENDING REQUESTS

Mr. PROXMIRE. Mr. President, recently President Ronald Reagan visited my State of Wisconsin to tell the people of my State how wasteful, how irresponsible, how downright reckless the Congress was behaving in spending the taxpayers' money. One Wisconsin paper carried a massive front page picture of my distinguished colleague Senator BOB KASTEN holding a giant, billboard-size credit card with President Reagan manning a king-size pair of scissors, presumably in the process of clipping Congress' huge spending down to size. Apparently President Reagan is carrying this—Congress is spending the Nation into ruin—campaign all over the country, shouting from the rooftops as only a President can about the extravagant, playboy ways of this Congress.

Now, I am a Democrat and President Reagan is a Republican. But I see nothing at all wrong with the President's rhetoric. He has every right to do this. In fact, he has a duty to go out and tell the American people how wasteful the Congress has been. He is right. He is telling the truth. But he is not telling the whole truth. In fact, he is leaving out the most important part of this story. He is not telling what to his Republican audiences would surely be an astounding fact. And that is that the President has in his 6 years in office actually called for more spending than the Congress.

Ponder that for a long minute, Mr. President. The President's budget sets the pace for spending by this Government. Oh, yes, indeed, the Congress has the constitutional right to modify that Presidential budget: to adopt it precisely as the President sends it to us in the Congress, to increase what the President requests or reduce it. We the Congress—not the President—have the final word. The buck stops with us. So the Congress must assume the final, ultimate responsibility for spending and for the deficit. That is a test for the Congress. The Congress has, indeed, flunked that test. We have flunked and flunked miserably. But, Mr. President, if we have flunked, how has the President done on this spending test? Let us take a look at the record. President Reagan has sent a budget to the Congress that provides the basis for final congressional action for 6 years: 1982 through 1987, inclusive. The President has modified his requests from time to time with requests for supplemental spending.

During these 6 years has the Congress increased or decreased Presidential spending requests? If the Congress had given the President precisely what he called for in spending, would we have balanced the budget? Would he have sharply reduced the deficit? Or, Heaven forbid, is it possible this irresponsible Congress actually cut the President's budget request? Answer: The Congress actually reduced the President's controllable spending requests by $26.6 billion. If we subtract $7 billion in Reagan rescission requests on which the Congress refused to act, we end up with Congress reducing President Reagan's spending requests by a net of $19.6 billion. So if the President had his way, and if the Congress had given the President exactly the budget he requested, the national debt would be $19.6 billion bigger today than it is. What's more, the Congress is doing better and the President is doing worse as time passes. In the 2 years, 1982 and 1983, the Congress did indeed, increase the spending requested by President Reagan. But in the 4 years 1983 through 1987 the Congress reduced the President's spending requests by enough to make up for that earlier

● This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

excess and actually net over the full 6-year period $19.6 billion less spending.

The real difference between the President and the Congress is not in spending. Both are almost equally at fault with a slight edge in extravagance going to the President. The difference is in priorities. The President has, indeed, restrained the Congress in its social spending. The Congress has restrained the President in military spending. Obviously, what we need for a responsible fiscal policy is either to futher restrain spending on both social and military programs or to raise taxes or to do both.

How ironic. Here we have a President who is travelling around the country denouncing the Congress for irresponsible spending although the Congress has actually reduced his budget requests. And let no one forget that the President has more to say about the size of the Federal Government budget than anyone else. He sends the Congress the original document. He can fight against congressional increases in spending with all the expertise of the great spending departments of our Federal Government. They are all his to command. He can bring public pressure to bear on Members of the Congress through his unmatched access to television, radio, and the press. When he travels around the country he commands public attention like no one else. And this President is very highly skilled as a communicator and a master of the media. The President also has the ultimate power over congressional spending—the veto. If he disapproves of a spending bill, if it is too high, he can veto it. All he needs is a one-third plus one of either House and the spending bill the President opposes is dead. The President's Republican Party has more than one-third of the House and more than one-third of the Senate.

So what sense does it make for a President to blame the Congress for any excessive spending? Can't he veto any spending bill? He can indeed. Can't he sustain that veto by simply rallying his Republican troops in either House of the Congress? Of course he can. And especially what sense does it make for a President to refuse to share the blame with Congress when the Congress has cut his spending by billions of dollars?

RECESS FROM 12 TO 2 P.M.

Mr. BYRD. Mr. President, I ask unanimous consent that the Senate stand in recess between the hours of 12 noon today and 2 p.m.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER OF PROCEDURE

Mr. BYRD. This will accommodate the conferences of the two parties. At 2 o'clock today, Mr. President, it is my plan to proceed with the FSLIC conference report. There is a time agreement on that report, so we will dispose of that today. Mr. PROXMIRE, chairman of the Committee on Banking, is here. I think he is very agreeable to proceeding at 2 p.m. with the report.

Mr. PROXMIRE. I thank the majority leader.

We are ready to go, and I think we can handle the report expeditiously. As the Senator knows, it passed the House by an overwhelming vote, and I believe that the Senate will probably adopt it also by an overwhelming vote.

Mr. BYRD. I thank the chairman.

Mr. President, I would hope that we could take up the catastrophic illness legislation today. When the distinguished Republican leader is on the floor, I shall query him as to that possibility. There are no objections on my side of the aisle. There have not been any objections that I know of to taking that up, and I hope we will be more successful than we were yesterday in the effort.

EXTENSION OF TIME FOR MORNING BUSINESS

Mr. BYRD. Mr. President, I ask unanimous consent that the period for morning business be extended to the hour of 12 noon and under the same restrictions as heretofore ordered.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BYRD. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

RECESS UNTIL 2 P.M.

Mr. BYRD. Mr. President, I ask unanimous consent that the Senate stand in recess until 2 p.m. today.

There being no objection, the Senate at 11:20 a.m. recessed until 2 p.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer [Mr. DASCHLE].

RECESS UNTIL 2:30 P.M.

The PRESIDING OFFICER. The Senate will stand in recess for an additional 30 minutes, without objection.

Thereupon, at 2 p.m., the Senate recessed until 2:30 p.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer [Mr. FOWLER].

The PRESIDING OFFICER. The Chair, in his capacity as a Senator from Georgia, suggests the absence of a quorum.

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Hearing no objection, it is so ordered.

MEASURES READ THE SECOND TIME

Mr. BYRD. Mr. President, before the Chair announces the close of morning business, there are two measures on the calendar of bills and joint resolutions read the first time.

The PRESIDING OFFICER. The clerk will read the first measure for the second time.

The assistant legislative clerk read as follows:

A bill (H.R. 1994) to amend the boundaries of Stones River National Battlefield, and for other purposes.

Mr. BYRD. Mr. President, I object to any further consideration of this measure at this time.

The PRESIDING OFFICER. Objection having been heard, the measure will be placed on the calendar.

The clerk will read the second measure.

The assistant legislative clerk read as follows:

A joint resolution (H.J. Res. 216) to support a cease-fire in the Iran-Iraq war and a negotiated solution to the conflict.

Mr. BYRD. Mr. President, I object to further proceedings on this resolution at this time.

The PRESIDING OFFICER. Objection having been heard, the measure will be placed on the calendar.

CONFIRMATION OF DR. ALAN GREENSPAN

Mr. SASSER. Mr. President, yesterday the Senate confirmed Dr. Alan Greenspan as Chairman of the Board of Governors of the Federal Reserve System. It is not everyday that the Senate has the assignment of confirming the nominee for what we understand to be the second most important job in America. Indeed, the Chairman of the Federal Reserve can probably have more impact on the international economic situation than perhaps any single individual.

The overwhelming vote to confirm Dr. Greenspan underscores the belief of many, including myself, that Dr. Greenspan will provide outstanding leadership in his new post. He clearly has the requisite qualifications for this demanding job. He holds a Ph.D.

in economics from New York University. He is an experienced and distinguished economist, having worked in the field for over 40 years. Moreover, he has served with distinction as Chairman of the Council of Economic Advisers, and as a member of the board of directors of some of America's leading corporations. In short, he is more than qualified for the job.

Dr. Greenspan will need his considerable skills in dealing with an economic and political situation today unlike the previous few occasions during which we have considered nominees for the chairmanship of the Federal Reserve. Indeed, the nomination of Dr. Alan Greenspan, and the situation today, does raise a number of particular considerations. In fact, my colleagues and I on the Banking Committee pointed out several issues and raised a number of questions during Dr. Greenspan's confirmation hearing 2 weeks ago. I would like to repeat some of them here today so that they are part of the record on Dr. Greenspan's nomination.

First, many of the members of the committee were concerned that Dr. Greenspan would not be enough independent of the economic and political agenda of the Reagan administration. We wondered if Dr. Greenspan would be able to resist pressure to pursue policies which would not be in the best long-term interest of the American people but might be in the short-term best interests of the administration. Dr. Greenspan answered that he would be able to resist such pressure. I believe that this will be the case.

Second, I wondered if Dr. Greenspan would feel compelled to prove himself as an inflation fighter and clamp down hard on monetary controls, thereby raising interest rates and sacrificing the jobs and home ownership aspirations of millions of Americans. I cannot forget that in 1981 and 1982 there was much concern in Congress, indeed all across the Nation, with regard to the monetary policy of the Federal Reserve. Tens of thousands of businesses were destroyed, thousands of farms were lost, as well as millions of jobs, in pursuit of an economic policy that I think went too far. I am somewhat concerned that the Federal Reserve could still pursue overly rigorous monetary policies with such devastating consequences in the future.

Third, I was curious as to how Dr. Greenspan would address today's economic excesses that are compared by some other economic scholars to those that occurred prior to the stock crash of 1928: for instance, the current takeover craze and the enormous and frightening increase in corporate debt which it has engendered. Mr. President, I am pleased that Dr. Greenspan recognized this great increase in corporate debt—almost $400 billion in 2 years—and attributed it rightly to increased merger and acquisition activity in the economy. He is concerned, as am I, about the impact this increased debt will have in exacerbating the next business downturn. It is reassuring to know that the new Chairman will be focusing on this problem area.

The last major issue on which the committee focused in the confirmation hearing is separation of banking and commerce. We wanted to know that Dr. Greenspan considered to be the proper approach to deregulation of, and expanded powers for, commercial banks. Members of the committee asked Dr. Greenspan if he thought that we are approaching the day when any kind of a company can own a bank and accept federally insured deposits. We asked him what should be the required regulatory safeguards against risk, conflicts of interest and economic concentration, if banking and commerce are combined.

Mr. President, these last few points on the separation of banking and commerce represent areas where I do differ with Dr. Greenspan's ideas. I do not believe, as does Dr. Greenspan, that a simple bureaucratic barrier can be erected with a "financial services" company that would adequately protect insured deposits, as well as prevent conflicts of interest and economic concentration, particularly if such financial powers as the banking, insurance and securities industries were to be combined. The Banking Committee will closely examine these issues in the coming months. Moreover, my colleagues and I on the Banking Committee will closely monitor the Federal Reserve's actions in this area as we deliberate over the future course for our Nation's banking system.

Despite this area of disagreement, I supported Dr. Alan Greenspan's nomination to be Chairman of the Board of Governors of the Federal Reserve System. I have a great deal of respect for his experience, his academic credentials and his ability to become a leader of the world economy. As a member of the Senate Banking Committee, I am looking forward to working with him on the multitude of important issues which face our financial system.

REVIVE THE DRAFT, BREATHE NEW LIFE INTO OUR DEMOCRACY

Mr. HOLLINGS. Mr. President, the word from the campaign trail is that what America needs is new ideas. Well, I am sponsoring legislation that embodies an especially timely new idea—to be exact, and idea whose time came and went, and today has come again. The idea is complusory military service, revival of the draft. And the time for action is now, in the 100th Congress.

Since the early 1970's, we have muddled through our great experiment with a volunteer military. Certainly, in the abstract, it seems desirable to have a military in which everyone serves of their own free will. I do not deny that our peacetime volunteer military consists, by and large, of dedicated men and women.

However, the reality is that this is not a truly voluntary force—any more than a 19-year-old's employment at the corner gas station or at McDonald's is a voluntary job. As a practical matter, for hundreds of thousands of undereducated, unskilled, unemployed young people, the military has become an employer of last resort.

And while its voluntary nature is dubious, there is no question that ours is a less than democratic military. It is a military drawn disproportionately from the lower classes, from minorities, from the undereducated and disadvantaged. If we were to go to war tomorrow, the sons of suburbia would watch it on TV—if they choose to watch it at all—while the sons of the inner city, the sons of rural South Carolina would fight and die in radically disproportionate numbers.

Surely, this is a fundamental injustice. More important, it is a corrupting influence on our democracy. Not, as some originally feared, because the professional military constitutes a dangerous, independent political force. It doesn't. That simply is not a part of our tradition.

No. The corruption of our democracy is more subtle and insidious. The volunteer Army has created a whole generation with no concept whatsoever of service to country. It has permitted young people to tune out politics, in the smug assurance that if conflict comes, they will not have to participate. Conversely, it has created an environment in which our Government can blunder into a war—whether in Beirut or the Persian Gulf or Central America—because influential segments of the middle and upper classes don't give a hoot. After all, it is not their sons who will be called upon to fight and die as a result of unwise policy decisions.

Mr. President, at a future date, I will have more to say on this subject. As I said, I have introduced legislation in the 100th Congress—as I did in the 98th and 99th Congresses—to restore the draft. I look forward to hearings on this bill in the Armed Services Committee. In the meantime, I commend to my colleagues a column by Mark Shields in this morning's Washington Post. His arguments are profoundly on the mark—especially at a time when we contemplate the specter of open warfare in the Persian Gulf.

Mr. President, I ask unanimous consent that the Shields column be entered in the RECORD.

There being no objection, the column was ordered to be printed in the RECORD, as follows:

"VOLUNTEERS" FOR AMERICA

(By Mark Shields)

In the mined waters of the Persian Gulf, the men and ships of the United States gamble with death. But here in Washington, there is toward that gathering crisis a conspicuous absence of concern. On Capitol Hill and among the leading commentators, the dominant attitude with few exceptions is one of detached passivity. This is not because of preoccupation with the Iran hearings, nor is it a sign of a more worldly tolerance of the use of organized force by the United States. No, the explanation for the disinterest of the powerful is more base: the American establishment has no direct, personal stake in the armed forces of this country.

The American establishment—political and journalistic—lives in a different country from those Americans whose lives are at risk off Farsi Island or those whose lives were ended in a bombed Marine barracks in Beirut. They belong to different classes in proudly classless America. It's a sure bet that any Washington dinner party guest—conservative or liberal—does not personally know a single one of the nearly 2 million enlisted Americans currently in our armed forces, but that the same guest does personally know at least one of the 20,000 Americans who have died of AIDS.

This is an indisputable legacy from Vietnam, the war that imposed no home-front shortages or rationing and demanded no civilian sacrifices. It was a war that made few Americans uncomfortable and no Americans poor. Of course, Vietnam did make 58,135 Americans dead.

In any war, most of the fighting and the dying are done by the youngest soldiers holding the lowest rank. Vietnam was no exception: more than three out of four of the Americans killed there were enlisted men between the ages of 17 and 22 and under the rank of staff sergant. And they came, as do our current defenders, disproportionately from the working-class neighborhoods of our nation.

South Boston was just such a working-class neighborhood of approximately 2,000 draft-age young men during the 1960s. In Vietnam, 25 South Boston sons and brothers died in the service of their country. Between 1962 and 1972, Princeton graduated more than 8,000 men; six of them died in Vietnam. MIT graduated 8,998 during the same period, and two alumni were killed in Southeast Asia. Harvard graduated 12,595 men during those years, and 12 of them were killed in the war. For Notre Dame the numbers were 13,501 graduated and 38 killed.

Public pressure eventually forced U.S. withdrawal from Vietnam. That public pressure mounted then because young men from every social and economic background were at least threatened with service in that war. That particular political reality has been lost on today's peace advocates who make common cause with the Nixon-Reagan policy which rests on the flimsy moral premise that the rich and the educated ought to be exempt from defending the country.

A few passionate opponents of the "all-volunteer" military had earlier warned that such an isolated military establishment, absent the constant civilian infusion of draftees, would be a potential force in American life. Antimilitary alarmists hinted darkly at the prospect of a "Seven Days in May"-type takeover of the government. Such fears proved groundless. But the saga of Lt. Col. Oliver North suggests how a veteran Marine might intimidate a nonveteran like Assistant Secretary of State Elliott Abrams, who as a 1969 Harvard graduate supported U.S. presence in Vietnam for those young men from South Boston.

An exponent of military escalation with personal participation, along with Patrick Buchanan and a number of syndicated anti-communists, Abrams was almost certainly an easy mark for buffaloing by a swaggering combat hero like North, who survived the killing fields of Vietnam while Abrams was viewing the action from the London School of Economics.

We act as a nation when, as a people, we share the obligations and the perils of our common defense. The most fortunate have now imposed a policy that the burden of defending the country is to be in effect the exclusive burden of the less fortunate. Implicit in that policy is the premise that defending our nation is dirty work to be avoided by those who have been given more. Until we repeal the current system, which requires that the nation's defense be provided by young men and women whose names and identity are unknown to the nation's establishment leadership, that establishment will be able to treat national strategy as a theoretical abstraction, not as a specific policy option that could entail the life or death of their own sons and loved ones.

CONCLUSION OF MORNING BUSINESS

Mr. BYRD. Mr. President, I ask unanimous consent that morning business be closed and, if it is agreeable with the distinguished chairman of the Committee on Banking, that the conference report on the Federal savings and loan legislation be laid before the Senate.

The PRESIDING OFFICER. Morning business is now closed.

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION RECAPITALIZATION ACT—CONFERENCE REPORT

The PRESIDING OFFICER. The clerk will now report the conference report.

The assistant legislative clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 27) to facilitate the provision of additional financial resources to the Federal Savings and Loan Insurance Corporation and, for purposes of strengthening the reserves of the Corporation, to establish a forebearance program for thrift institutions and to provide additional congressional oversight of the Federal Home Loan Bank Board and the Federal home loan bank system having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses this report, signed by a majority of the conferees.

The PRESIDING OFFICER. Without objection, the Senate will proceed to the consideration of the conference report.

(The conference report is printed in the House proceedings of the RECORD of August 3, 1987.)

Mr. PROXMIRE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PROXMIRE. Mr. President, I rise to address the Senate today with pride in my colleagues on both sides of the aisle; with pride in the product of our mutual efforts, the Competitive Equality Banking Act of 1987; and with pride in the spirit of compromise between the administration and the Congress that made this legislation possible.

As we all know, this legislation closes the nonbank bank loophole, thereby reinforcing the longstanding separation between banking and commerce. It also recapitalizes the Federal Savings and Loan Insurance Corporation in order to restore public confidence in that crucial Federal institution. These are just 2 of the most critical components of the 12 titles comprising this important legislation.

Before reviewing those titles, I want to recognize some of the Members whose efforts this year and in years past made this legislation possible. The man on my right, my friend and colleague Senator JAKE GARN, merits my sincerest appreciation. Despite his deep reservations about some elements of the bill, he has steadfastly supported—and through his efforts improved—numerous other elements of the bill, particularly the FSLIC recapitalization. We should not forget that much of the bill now before us was passed by the Senate in 1984 and 1986 under the leadership of Senator GARN, who was then chairman of the Banking Committee. We must also not forget the crucial role Senator GARN has played during the past few weeks in helping construct a compromise that strengthened the legislation and averted a veto. Senator GARN, for myself and, I believe, for the other Members of the Senate also—thank you for your help.

Appreciation must also be extended to the Senate conferees on this complex and important legislation—Senators CRANSTON, RIEGLE, SARBANES, DODD, and DIXON, for the majority, and Senators HEINZ, ARMSTRONG, D'AMATO, and GRAMM, for the minority. Through the long hours of conference negotiations, they were patient, tough, and constructive. Their individual contributions are reflected again

and again in the provisions of this important bipartisan legislation. For your efforts, on behalf of us all, thank you.

The other distinguished members of the Senate Banking Committee, the members of the House Banking Committee, and the House conferees also merit our highest appreciation. To House Banking Committee Chairman ST GERMAIN and ranking minority member WYLIE we owe a particularly large debt of gratitude. The efforts of these two distinguished legislators in past Congresses as well as this one helped immeasurably in bringing this legislation to fruition.

The Senate and House Banking Committee staffs, led by Ken McLean and Lamar Smith in the Senate and Paul Nelson and Tony Colt in the House, did a superb job. They were ably supported by Rob Dugger, Rick Carnell, and John Dugan. These gentlemen spent literally days and nights and weekends working on this important and complicated bill. In my judgment there are no better staffs in the Congress than the remarkable people who serve these two committees. They were at their best on this banking bill.

Our appreciation, however, is not limited to Members of Congress and our staffs. The efforts of several administration officials, particularly those of Treasury Secretary James Baker, have been pivotal. I think that we all know that there is nobody in the administration who is wiser, more adept and more cooperative in these matters than Secretary Baker. For their contribution to the enactment of this legislation, I extend to these officials my deepest appreciation.

Mr. President, the Competitive Equality Banking Act represents truly the best in bipartisan efforts and addresses a wide variety of financial institution issues. Let me now review the more important of them.

Title I closes the nonbank bank loophole and places restrictions on existing nonbank banks. By reinforcing the separation of banking and commerce, it:

Helps ensure that banks allocate credit impartially and without conflicts of interest; strengthens bank supervision and reduces the risk that banks will become entangled in the problems of nonbank affiliates; helps protect the payments system; reduces the unfair advantages that commercial companies controlling nonbank banks have overregulated bank holding companies and over commercial companies that have no nonbank bank; and reduce the potential for excessive concentration of economic power.

Title II imposes a temporary moratorium on Federal regulatory approval of certain new powers for banks and bank holding companies in order to give the Congress time to make basic decisions about the future structure of financial services. To lay the groundwork for those decisions, the Banking Committee is already holding comprehensive hearings on the issues involved, and I expect that we will bring a bill to the floor later this year.

Title III recapitalizes the Federal Savings and Loan Insurance Corporation. It authorizes the FSLIC Financing Corporation to borrow $10.825 billion which, together with deposit insurance premiums, can be used to resolve problem cases.

Title IV seeks to facilitate the recovery of thrift institutions that are troubled but viable and well-managed. It represents a substantial amelioration of the forbearance provisions passed by the House. Title IV also requires thrift institutions to use generally accepted accounting principles in place of the discredited system of regulatory accounting. I want to commend Senator PHIL GRAMM for his energetic and successful efforts to improve the House bill.

Title V strengthens the authority of the Federal banking agencies to arrange interstate sales of failed or failing banks. It also authorizes regulators to operate failed banks for up to 3 years while seeking to find purchasers for those institutions.

Title VI restricts banks and other depository institutions from placing excessive holds on money deposited by check.

It is the fruit of years of diligent effort by Senator DODD and others. I am sure that many people in the general public will find that this is the part of the bill that is most understandable and most helpful to them on a day-to-day basis.

Title VII gives the National Credit Union Administration additional flexibility in its supervision of credit unions.

Title VIII, authored by Senator DIXON, permits agricultural banks to amortize losses on certain agricultural loans.

It is a real boon to farmers not only in Illinois and Utah and Wisconsin but throughout our country, and I think Senator DIXON deserves special credit for his good work.

Title IX reaffirms the sense of the Congress that federally insured deposits are backed by the full faith and credit of the U.S. Government.

In conclusion, Mr. President, our financial system faces many acute difficulties and challenges. The conference report before us represents our best, bipartisan effort to ameliorate those difficulties and to prepare to meet the challenges of financial modernization. The conference report touches the foundations of our financial structure because the problems and challenges are profound. It is complex because those problems and challenges are complex.

Mr. President, this is not the bill I would have written if I had my way. It is not the bill Senator GARN would have written if he had his way. Indeed, it is not the bill that any Member of the House or Senate would have written if he or she had their way. It is a product of compromise and, like all compromises, it has its good points and its bad points. But on balance, I believe it represents a constructive first step toward solving some of the underlying issues in financial and banking legislation that have stalemated our efforts over the last several years.

I believe the most important and significant contribution made by the legislation is to remove the politically divisive issue of the nonbank bank loophole from our congressional deliberations. The nonbank bank loophole has dominated our agenda far too long. It has pitted bank against bank and made it difficult for the Congress to focus on the broader issue of financial restructuring. With the nonbank bank loophole issue now behind us, I am confident we can move on to the broader issues of financial restructuring.

In particular, Mr. President, I believe we need to take a close look at our policy of separating commercial banking from investment banking in the light of today's financial technology and marketplace. The Glass-Steagall Act may have made some sense 54 years ago when it was put on the books although there is a growing body of historical evidence that the Congress may have overreacted to abuses that were prevalent among all securities firms and not just bank affiliates. In any event, a lot has happened since 1933 and the Congress needs to face up to the policy implications of these changes. The distinction between commercial lending and securities underwriting is rapidly eroding under the pressure of the marketplace. Our task as legislators is to examine these changes and design a system that will serve our economy for the last decade of this century and well into the next century.

We want a system that will provide maximum economic growth and competition consistent with safety and soundness. It is no small task. I look forward to working with the members of the Banking Committee and with Secretary Baker to help achieve this long overdue modernization of our financial system.

I yield the floor.

Mr. GARN addressed the Chair.

The PRESIDING OFFICER. The Senator from Utah.

Mr. GARN. Mr. President, I thank the distinguished chairman of the Senate Banking Committee for his kind remarks about my work in the committee in the past.

I would note that the chairman and I have had rather an unusual relationship over the last nearly 13 years. We have served together that long on the Senate Banking Committee with our chairmanships almost equally divided. Chairman PROXMIRE was chairman for 6 years. I was chairman for 6 years. Now he has me by half a year but I intend to get that back at some time in the future.

But we have had a unique and friendly relationship. We obviously have not always agreed on the issues but we have agreed a great deal more than we have disagreed.

As a matter of fact, overall on the directions that each of us have tried to go during our chairmanships of the Banking Committee, there have been very, very minor technical differences, and the legislation that I passed several years ago would not have been possible without the help of the Senator from Wisconsin.

So it is a relationship and a friendship that I value deeply, having had that opportunity for 13 years, to work together on the financial services legislation.

Today, Mr. President, I rise in support of the conference report on the Competitive Equality Banking Act of 1987. I do so, not because I believe it promotes either competition or equality. It does not. And certainly I do not like all of its provisions. As the chairman said: He does not like all of them either. I support this bill because we have a crisis in the thrift industry that demands legislation now. The administration and the Federal Home Loan Bank Board asked Congress to address this issue over 16 months ago. The cost to the thrift industry of our failure to respond has now risen to an estimated $10 million a day.

The FSLIC recapitalization provisions of this bill take the necessary first steps to resolve this crisis. They probably are not enough, and we will almost certainly need to do more in the next Congress, but the conference report is a far better effort to address this issue than either of the bills that emerged from the House and Senate.

For this I thank both my distinguished colleague from Wisconsin and our counterparts in the House, Representatives ST GERMAIN and WYLIE, all of whom worked very hard to improve this piece of legislation. We also owe a very special debt of gratitude to the President of the United States and his Secretary of the Treasury, Jim Baker.

The President went to the mat by threatening to veto the very bad piece of legislation that was about to emerge from conference last week. He did this despite a chorus of protests from powerful special interests such as the securities, insurance, real estate, and banking industries. He did not like the low level of funds for FSLIC, the so-called forbearance provisions that tied the hands of the regulators, and the bill's numerous anti-competitive provisions. But in the end he agreed to secure a compromise through the efforts of his Treasury Secretary that would substantially improve the FSLIC provisions and end Congress' long and irresponsible delay in providing needed funds for FSLIC.

Because of these efforts, FSLIC will receive over $2 billion more; the worst elements of the forbearance provisions will sunset in roughly 3 years; and current law will be preserved to make failing thrifts more marketable and thus less in need of FSLIC assistance. There will be no nasty veto fight and no more delays in giving FSLIC funds it sorely needs.

With these improvements I now support this legislation, and I urge my colleagues to do so, too. It is true that the anti-competitive provisions remain, but this was a compromise in the face of an emergency and the best that could be done under the circumstances. As the Washington Post said on August 1, after the compromise, "the banking bill is now greatly improved * * * it is not an ideal bill, but it is adequate * * * within its limits, it makes a valuable contribution to the safety of a national financial system that is now operating under great stress.

Mr. President, I will not describe again at length my objections to the anticompetitive provisions of this legislation, principally in titles I and II. Nor will I argue again that we should have passed a "clean" FSLIC bill first and a more comprehensive version later. Those battles have been fought, and my colleagues know my views on these issues very well.

It is time now to get this legislation behind us and move on. The Senator from Wisconsin has pledged that this conference report will soon be followed by more comprehensive legislation. I have been skeptical, not of his sincerity but of the ability to achieve the result, but I will do everything I can to support him in these efforts. No one has worked harder than I have in the past to realize comprehensive reform, and I pledge to the distinguished chairman that no one will work harder in the future.

I sincerely hope that we can put our differences behind us and work together again to achieve true reform of the financial services industry. While these issues became needlessly partisan during this Congress, which they never were before, I am encouraged by the bipartisan compromise we reached at the end and by the bipartisan efforts of staff in drafting the final version of this bill. We will certainly need to work together if we hope to enact comprehensive legislation. And I think we share the view that the country critically needs this bill to promote competition and to strengthen the safety and soundness of the entire financial system.

I also applaud the chairman for beginning hearings to move on to comprehensive legislation. We have already had three hearings, and two more are scheduled this week. We are seeing some genuinely new ideas surfacing, from New York Fed President, Corrigan's proposal to the financial services holding company proposal to Representative CARPER's bill encouraging State activities. I certainly hope that the hearings will explore these and any other serious proposals for reform between now and the time the Banking Committee marks up a comprehensive bill.

Let me make one final point. The moratorium provisions of this bill, which I have strongly opposed, are in titles I and II. Not surprisingly, the moratorium was broadened in the conference, principally on behalf of the securities industry. But the date the moratorium is scheduled to expire, March 1, 1988, was not extended, and one very significant change was made—the House joined the Senate in adopting the following unequivocal provision in section 203(b):

> It is the intent of the Congress not to renew or extend the moratorium established under section 201 whether or not subsequent banking legislation is passed by the Congress.

I remind my colleagues that a vote for this report and its moratorium is also a vote for this single date of expiration, March 1, 1988. I urge all Senators to work together to forge a consensus to enact comprehensive legislation before then.

Mr. President, I would like to emphasize that I sincerely hope that we will not reach that point in March 1988, the point where we are faced with going ahead with this decision by both the House and the Senate not to extend the moratorium. I do not want the moratorium extended. I would like comprehensive legislation. Again, I will do everything I can to help the chairman of the Senate Banking Committee achieve that result.

Mr. PROXMIRE. Mr. President, before I yield time to the distinguished Senator from Illinois, let me thank the distinguished Senator from Utah for his statement and tell him I am going to do everything I possibly can to prevent any extension of the moratorium past the March 1 date.

I want to tell him that I will certainly cooperate with him to the fullest, and I mean the fullest, in every possible way to act in that limited period of time so we can have a comprehensive banking bill that will provide for a coherent, consistent nationwide banking system and not have to rely on the kind of patchwork that we know we are going to have if the Congress fails to act on banking legislation.

Mr. President, I yield 12 minutes to my good friend from Illinois.

The PRESIDING OFFICER. The Senator from Illinois is recognized.

Mr. DIXON. Mr. President, as one of the conferees on the legislation now before us, I want to congratulate the distinguished chairman of the banking committee, Senator PROXMIRE, and the distinguished ranking Republican member, Senator GARN, for their work in forging the compromises that make this action possible.

I also want to congratulate Secretary of the Treasury Baker for his efforts in reaching the agreements that avoided another potential major confrontation between the President and the Congress.

On all too many issues, both the President and the Congress have seemingly lost the will to work things out, preferring instead to blame one another for failures, hoping to score political points. Frankly, I do not believe the country wants that kind of warfare between the executive and legislative branches, and I do not believe we can afford it.

I was pleased, therefore, to see that compromises were worked out, and that a veto battle is now unnecessary. It is true that the administration agreed to work out a compromise very late in the process; in fact, the conference had finished its work before the administration began to negotiate seriously. I hope, in the future, that the administration will see fit to play a constructive role earlier in the legislative process. However, the Treasury Department did act before it was too late, and the compromise that was achieved is a reasonable one.

Like all compromises, it is far from perfect. The amount it provides to recapitalize the Federal Savings and Loan Insurance Corporation—approximately $10.8 billion—is significantly higher than the amount I supported when the bill was first before the Banking Committee. There has been considerable dispute as to how much the FSLIC fund requires. There has been agreement, however, that the FSLIC essentially could not raise and effectively spend more than $5 billion per year, no matter how high the overall amount provided for recapitalization is. Given the FSLIC's past administrative problems, there is ample reason for Congress to maintain tight control over the recapitalization program. Vigorous oversight is needed.

I believe, however, that we would do the savings and loan industry a real disservice if we insist on lower totals than those contained in the compromise. This is emergency legislation, but it has already taken far longer than it should. The Banking Committee reported S. 790, the original Senate bill, back in mid-March. If we were now to send a bill to the President that coud be vetoed, it could be September or October before action on an override would be completed. If an override were not successful, it could take even longer to get a new bill to the President.

Frankly, Mr. President, I think that is a risk we should not take. A veto battle, regardless of its outcome, creates uncertainty, and given the problems facing the thrift industry, it is time to end the uncertainty.

Confidence is a fragile thing. I am pleased we have been able to maintain it during the long period of time it has taken to put this bill together. It is time, however, to resolve the recapitalization issue. We cannot afford putting thrift industry confidence in further jeopardy to continue the dispute over the best level of FSLIC financing. Continuing to fight would hurt our Nation's thrift industry, instead of helping it. I therefore support the compromise, not because it contains the funding level I would propose, but because both the administration and the conferees reached an agreement that will end the uncertainty that has surrounded this legislation for so long.

The bill is still much lower than the President first proposed; it is significantly lower than the bill we passed last year. Both the House and Senate came up from the levels we passed earlier this year, but that is the essence of compromise. Both sides yielded in order to achieve an agreement.

It is also worth remembering that, even though the recapitalization level is higher than many in Congress would prefer, the Banking Committee will conduct the kind of vigorous oversight the program demands.

As important as the FSLIC issue is, however, it is only a part of this important bill. The bill also: Provides a mechanism for returning to the thrifts the amounts they contributed to the FSLIC secondary reserve, closes the nonbank bank loophole, imposes a moratorium on certain nonbanking activities, extends and enhances the powers granted the banking regulators in the Garn-St Germain Act, improves check clearing procedures for bank customers, and provides much-needed assistance for agricultural banks and their farmer-borrowers. The bill's 12 titles cover these issues, and a number of other matters of importance to our financial services industry. I would like to comment on two areas before I conclude.

First, as I am sure my colleagues know, this bill does not attempt to resolve the issues relating to comprehensive financial services reform legislation. In my view, action on fundamental financial services reform is long ovredue. The statutory and regulatory framework is no longer adequate to cope with the changes that have taken place in the marketplace.

I do believe, however, that this bill can help the Congress achieve action on a second piece of legislation that does modernize our banking laws. The moratorium freezes the current situation in place until next March, giving the committees of the Congress time to act. Closing the nonbank bank loophole resolves that issue—which has been the focus of congressional attention for so long—enabling us to focus our attention on the reform issues.

I have no illusions that enactment of a second major banking bill in this Congress is assured. Section 203 of the conference report, though, makes it clear that Congress will not extend the moratorium if we fail to achieve action on a second bill by next March, and I want to serve notice on the Senate now that this is one Senator who will do everything he can to ensure that the moratorium remains what it was originally intended to be—a one-time freeze to permit action on a comprehensive bill. The moratorium is intended to facilitate action; it should not, and must not, be used as a mechanism to avoid making the tough decisions on reform legislation that simply must be made.

I also want to highlight a title of the bill that is particularly important to me: title VIII. The loan loss amortization title. This title creates a program that permits eligible agricultural banks to amortize losses on agricultural loans over 7 years. It is designed to benefit both hard-pressed rural banks and their customers. It creates incentives for banks to restructure loans. Many farmers that are in trouble now can be helped; they can make it if their cash-flow is improved. Current law, however, makes it difficult for banks to renegotiate loans, because they have to recognize the losses all at once. Loan loss amortization, properly used, has the potential to help both banks and farmers, keeping banks active in their local communities and minimizing the number of foreclosures. I was proud to be the author of this provision in the Senate, and I am very pleased that it is included in the conference report.

I simply want to conclude, Mr. President, by reiterating that I think this bill is a good compromise and deserves the Senate's support. It is far from perfect, but it is the best that could be achieved. It avoids another divisive and time-consuming veto fight, and it takes us a step forward toward resolving fundamental financial services industry reform issues. I urge my colleagues to join me in voting in favor of the conference report.

Mr. President, I sincerely thank the chairman of the committee and the ranking member for their support over the years in helping me to finally bring to a point where it is going to the President, with his assurance of signature, title VIII, which I think will probably be the most important thing

Congress does this year for the agricultural communities in America, for the agricultural bankers, and for the small farmers in America. I deeply appreciate their friendship and warm support in connection with this, and I am indebted to them.

Mr. GARN. Mr. President, I yield 5 minutes to the Senator from Texas.

Mr. GRAMM. I thank the distinguished Senator from Utah for yielding.

Mr. President, I would like to join other members of the Banking Committee and the conference in congratulating our distinguished chairman and distinguished ranking member for their leadership in producing what I think is a good bill under very difficult circumstances.

I would like to limit my remarks today, since the whole bill is going to be discussed, to the part of the bill I was most directly involved in; the part having to do with recovery of our thrift industry.

First, I think it is important to note that we provide in this bill $10.825 billion to reinvigorate the insurance fund for the savings and loan industry. I hope people understand that this is not a taxpayer bailout. What we are doing is assessing the member institutions, the savings and loans, to generate a cash flow to service a debt that will be incurred by the thrift industry as they go into the financial markets and borrow $10.825 billion to rebuild the FSLIC.

As a result of our action today and the certain Presidential signature on this bill, savings and loan depositors all over the country can be confident that those deposits are now good up to the insured limit.

In my part of the country, that additional confidence is going to be important in stopping the financial hemorrhaging which has plagued our savings and loan industry. But we have done more than initiate a self-help program to rebuild FSLIC. In the Thrift Industry Recovery Act section of the bill, title IV, we have set out a positive program to allow troubled thrifts the opportunity to work out from under their problems. This program sets out new regulations for those areas of the country that have economic problems, allows thrifts that are well managed to work out from under their problems, build up their capital, and become profitable lending institutions again. This will help facilitate the building of new homes and new businesses that many of our troubled parts of the country need desperately to fuel their economic recovery.

I believe that under this bill, financial investors throughout the economy will look at this new blueprint, look at the guidelines we have set out for the recovery of our thrifts, and will decide that they can make money by acquiring a troubled thrift. By doing that we will attract new private capital into the thrift industry, and that will go a long way toward solving the problems confronting our Nation's thrifts.

Obviously, there are going to be savings and loans that will not survive. There will be savings and loans that will be closed. It is my hope that under new leadership, FSLIC can, to the maximum extent possible, use buyouts rather than outright closure of savings and loans. The last thing we need in depressed areas of the country is to have tremendous amounts of real estate dumped on the open market, sold at depressed prices, thereby producing a deterioration of the balance sheets of savings and loans and banks alike.

Finally, I believe we have set out a blueprint that can work. I think this bill is going to allow us to rebuild our thrift institutions. Quite frankly, I do not know whether the $10.825 billion is enough. But I know it is a start. It will allow us to go in and close institutions that cannot survive.

I believe the bill is written in such a way as to maximize the number of thrifts that will survive and minimize the cost to the insurance fund. I think we have been good stewards of the public interest. We have put together a bill that maximizes the opportunity for thrifts to survive and prosper and serve their communities, and I am proud of this bill.

I especially congratulate our leadership on both sides of the aisle that were able to put together a bill, to forge a compromise, to respond to a legitimate Presidential concern, and to go back at the end of the conference and make specific changes that were difficult, but I think they were important and that they improve the bill.

I look foward to the bill being signed into law; but, more important, I look forward to the bill going into effect and setting out a blueprint to rebuild our thrift industry, helping us put people back to work around the country.

Mr. PROXMIRE. Mr. President, before I yield to the Senator from Alabama, I thank the Senator from Texas for his statement, particularly for stessing the fact that the $10.825 billion is not from the taxpayers. A lot of people think this is a bailout by the taxpayers. It is an assessment on savings and loans throughout the country. The taxpayer will not have to pay a nickle for that. I think that is important.

The Senator from Texas played a very important role in this bill, and he was the Senate author of the thrift recovery title.

I yield 3 minutes to the Senator from Alabama.

Mr. SHELBY. I thank the Senator.

Mr. President, I commend the chairman and the ranking Republican member, Senator GARN, for their work in passing this comprehensive bank bill. I think it is the first bill we have been able to pass in quite some time. Although I do not agree with everything in this piece of legislation, I shall support it as an important first step.

At this very moment, FSLIC is bankrupt. As I understand it, the bill before us will infuse $10.8 billion into the thrift industry deposit insurance fund. Such infusion, while not a panacea, represents a giant step toward restoring the soundness of our troubled thrift industry nationwide.

Title I is not perfect. It has more holes than a doughnut. Yet, it does freeze to some extent the activities of existing nonbank banks and allows Congress the opportunity to create a level playing field for all our financial service industries. While some view title I as being anticompetitive, Congress is the proper entity to determine the ways in which our financial service industries may enter new markets, both geographic and financial.

Title II in some respects represents a step backward when our traditional financial institutions should be moving forward and modernizing so that they can meet the demands of consumers and compete successfully globally. Six years ago, only 1 of the 10 largest banks was Japanese. Today, only 1 of the largest 25 is American while 14 of the top 25 are Japanese and 9 are European.

Banks remain restricted from seeking new markets and have seen their market share erode as the financial arms of nondepository institutions provide similar services. This is not to say that I believe that all markets should be open to banks. I do not believe that. The possible conflict of interest and concentration of assets apparent in the insurance and real estate industry persuaded this Senator that full entry into those markets by banks would create an unnecessary risk in the banking industry that we depend on to be safe in this country.

Title II does provide Congress an opportunity to pause, examine the alternatives available and provide appropriate direction. To recapture a sizable presence in the global economy, I believe it follows that our banks must be competitive. Congress should provide that direction by making public policy.

I strongly support the provisions in the bill which protect consumers including new limits on the time banks may hold consumer checks for clearance.

The legislation before us, as I said earlier, is a first step; it sets us in motion a process for reform of the banking laws, and I hope that the chairman and the ranking member of our Banking Committee will again provide us the leadership to do in the

next year a comprehensive valuation of this very important legislation.

Thank you, Mr. President.

Mr. PROXMIRE. Mr. President, I thank my good friend from Alabama. He said that title I has more holes than a doughnut. I remind him that a doughnut has only one hole.

Mr. SHELBY. But it is a big one, Mr. President.

Mr. GARN. Mr. President, I yield 5 minutes to the distinguished Senator from Nebraska.

The PRESIDING OFFICER. The Senator from Nebraska [Mr. KARNES] is recognized.

Mr. KARNES. Thank you, Mr. President.

Mr. President, I would like to speak in support of H.R. 27. This is certainly one of the most significant pieces of legislation that this Congress will consider this year. I must note at the outset of my remarks that there are portions of this bill that I do not agree with. However, on balance this legislation is worthy of passage immediately and in the opinion of this Senator is long overdo. I also note that many critical banking issues are left unresolved and with the help of my colleagues on the Banking Committee we will address many of these during our deliberations in the Banking Committee during the next weeks.

As a member of the Banking Committee I had the opportunity to hear the testimony and consider the affects of the legislation in great detail. My prior experience as special counsel to the Federal Home Loan Bank Board in Washington and Chairman of the Board of Directors of the Federal Home Loan Bank of Topeka provides me a unique insight into the problems the thrift industry is currently experiencing.

I cannot overstate the significance of this legislation as it affects the thrift industry in this country. The $10.8 billion recapitalization amount of the FSLIC is indeed sorely needed to restore the public's confidence in the thrift industry and to allow the FSLIC to immediately address the task of resolving the 400-plus problem thrifts that are currently operating throughout the country.

I must also note that attention has been given in this legislation to the potential negative impact that may result from attempting to raise these large amounts of funds through the public marketplace; that is, the $10.8 billion. I note and I believe it is important to recognize that this bill has a limitation of $3.75 billion a year as far as the limits of how much can be raised so that the financial marketplace will not be negatively impacted at all by this large amount of money that is needed to be raised.

I compliment the Senate leadership for their expeditious scheduling of this legislation in light of its significance on the industry.

Time is of the essence since the latest estimates are that the troubled thrifts that I mentioned earlier, approximately 400 thrifts, are losing collectively $10.5 million each day that they remain open since the FSLIC has not had adequate funds to deal with those problems. Those kind of staggering daily losses equates to over $3.8 billion per year which should not be allowed to continue, and they will not be allowed to continue.

The profitability of the thrift industry through 1986 is certainly worth noting considering all the negative publicity surrounding the thrift industry. According to the Kaplan Smith report, 74 percent of the 3,247 FSLIC-insured and federally chartered FDIC-insured thrifts were profitable in 1986. Those thrifts with positive GAAP net worths had an adjusted return on assets of 0.74 percent, which is considered quite good. Hence, those thrifts that can be considered for the most part to be healthy and viable performed quite well in 1986. The relatively modest number of operating negative net worth thrifts accounted for only 11 percent of thrift assets; however, they reported adjusted losses in 1986 of $7.1 billion. Mr. President, passage of this legislation will finally allow the FSLIC to resolve those problems and give the profitable, well managed thrifts the opportunity to operate without the daily negative publicity they have had to contend with recently.

Mr. President, another section of the bill is also very important to me and my constituents in the State of Nebraska. I am referring to title VIII called loan loss amortization for agricultural banks. As a U.S. Senator from Nebraska and a third generation Nebraska farmowner, I have a great interest in the availability and cost of agricultural credit. This section of the bill allows qualified agricultural banks to amortize their loan losses over a period of 7 years. I know all my fellow Senators are fully aware of the excessive problems agricultural banks in Nebraska and throughout the country have experienced. Allowing these institutions to spread the losses over this 7-year period of time will alleviate some of the pressure on the many small, rural agricultural lending institutions attempting to provide a steady source of funds to their farm borrowers.

Mr. President, I appreciate the opportunity to convey my feelings on this important piece of legislation. I sincerely hope my colleagues will consider these arguments in support of the bill. This legislation is certainly in the best interests of not only the citizens of Nebraska but all Americans.

Lastly, I congratulate the distinguished Banking Committee Chairman PROXMIRE and distinguished ranking minority member, Senator GARN, who have worked tirelessly to seek solutions to the many great problems and many differences that we have found during the hearing process in this banking and thrift legislation. They are to be complimented for their hard work.

Mr. President, thank you for this opportunity, and I yield the floor.

Mr. DODD. Mr. President, I rise in support of the conference report.

This conference report has been a long time coming, but I think it has been worth waiting for. Many of the issues—from recapitalizing the FSLIC to expediting consumers' access to their check deposits—date back to Congresses past. But even those issues that originated in this Congress—most particularly the provisions designed to give us the time and the ability to consider comprehensive banking legislation to modernize our financial services industries—have had a long gestation period.

Starting with Chairman PROXMIRE's first bill in February, it took until the end of March for the Senate to complete action. Then it took another 6 weeks for the House to act. Thereafter, it took about another month just to get to conference and then more than 6 weeks to reach agreement, draft that agreement and then, last week, reach agreement again—this time with the President—before we were finally able to file the conference report.

We are all exhausted from the effort but I would just like to highlight a few of our actions:

First, the conferees went beyond the provisions of either bill to provide $10.8 billion in badly needed funds for FSLIC. While I do not generally support going beyond the scope of bills in a conference, in this case I think the conferees acted responsibly to head off what otherwise might have been a serious crisis. Now the FSLIC will have both the money and the time to restore public confidence in the Federal deposit insurance system.

Second, the bill will assure that bank customers will have timely access to their check deposits. By September 1, 1988, consumers will have access to their local check deposits after 2 business days and to their nonlocal check deposits after 6 business days. By no later than September 1, 1990, those times will be shortened to no more than 1 business day on local checks and 4 business days on nonlocal checks.

I am particularly pleased with this provision because it solves a problem that I identified 5 years ago. Our Banking Committee conducted the first hearings on the subject in 1982; I introduced the first legislation to remedy the problem in 1983; and, thereafter, the Senate adopted bills in

three successive Congresses. I am confident that the final compromise will assure consumers timely access to their funds without imposing any increased risk of loss on depository institutions.

Third, I want to emphasize with regard to the title I and II provisions—dealing with nonbank banks and the moratorium on new bank powers—that they are process provisions, rather than final legislative solutions. Combined, titles I and II are designed to give us the breathing space to examine in detail recent changes in both the domestic and international financial services arenas and to give us the time necessary to devise comprehensive legislation for the future.

Almost as important as the time gained by these provisions is the political impetus I expect them to provide for future legislation. The expiration on the moratorium will provide incentives for depository institutions, the securities industry, the real estate industry and the insurance industry to push for new legislation, because they will all be unhappy with their positions after the moratorium expires.

Mr. DIXON. Mr. President, I simply want to express my understanding of section 201(6)(2)(c). That provision imposes a moratorium on the operation of nondealer marketplace in options. It includes in its scope lesser included activities involved in operating such an exchange. For example, no bank currently clears options, although they clear many other securities acting as agent. However, clearing options involves much more than clearing other securities. In my view, and I believe in the view of the majority of conferees, clearing options involves activities of such a broad scope that it would amount to operating nondealer marketplace in options, and would therefore be prohibited during the moratorium period.

Mr. SANFORD. Mr. President, I rise to express reluctant support for this bill. While it contains many important provisions relating to issues other than the recapitalization of the FSLIC fund, I must express my objection to the changes that were made to the FSLIC recapitalization plan. These changes were made at the final hour, in a deal going beyond the scope of the level of funding approved by either the House or the Senate.

There is without a doubt a consensus that we must act effectively and decisively to beef up the FSLIC fund. While many argued about the way to do that and how much money should be committed, the Senate Banking Committee, after many hearings and much discussion, agreed upon a recapitalization plan providing borrowing authority of up to $7.5 billion over 2 years. The full Senate then approved that $7.5 billion figure. The House, on the other hand, voted decisively for a cap of $5 billion on the borrowing authority of FSLIC. However, in bowing to pressure from the White House, a new figure of $10.824 was agreed upon in a side arrangement that raises significant concerns about the way our process works.

I had encouraged the Senate to adopt the $7.5 billion figure because I believed then and continue to believe now that borrowing authority of $3.75 billion per year, when coupled with the income from special assessments and investments will provide the FSLIC with more than adequate resources. Indeed, the income from the borrowing plus the special assessment and investment will total almost $6.75 billion per year and that $6.75 billion figure exceeds even the Federal Home Loan Bank Board's projections of what it can effectively spend in 1 year.

I was also concerned about the ability of the Federal Home Loan Bank Board, an agency that has been plagued with administrative problems, to effectively handle the large amount of money being provided to FSLIC. In addition, I believe that many of the problems facing our savings and loan industry are not ones that will be resolved by simply putting more money into FSLIC. I had hoped that in placing a 2 year sunset on the borrowing authority on FSLIC, that the Congress would be given the opportunity to reassess the success of the recapitalization effort before more money was provided to FSLIC.

I must note that most institutions in this Nation are profitable, and many of the profitable institutions are very profitable indeed. Despite this fact, roughly one-tenth of the total are troubled. Some of these troubled thrifts, the well-managed institutions which are the victims of turbulent local economic conditions, will survive, given half a chance. Others, which are not so well managed and may indeed be troubled due to poor management or worse, will and should fail.

Unfortunately the price of their failure, the price in some cases of their folly, will be borne by their survivors. Thus, eager as we might be to resolve the FSLIC's problems, we must consider just how much the thrift institutions of this Nation can afford to contribute to the resurrection of other failing institutions. I submit that the $10.824 billion funding level may be higher than the Congress should go without threatening to undo the success of those healthy institutions which have proved their managerial mettle.

I am concerned that we have granted too much borrowing authority to an agency that has had numerous, well documented administrative problems. However, despite these reservations about the amount of funding for FSLIC agreed to in this compromise, as well as strong concerns about the manner in which the compromise was reached, I do support this bill. I believe that the recapitalization of the FSLIC is crucial to the health of our savings and loan industry, and despite my concerns about the level of funding of the program, I believe this bill deserves our support. I urged my colleagues, whatever their reservations may be, to join me in voting for this bill.

CHARTERED PRODUCTS

Mr. CRANSTON. Section 101(c) prohibits a grandfathered nonbank bank from engaging "in any activity in which it was not lawfully engaged as of March 5, 1987." Is it correct to interpret this provision to mean that if, for example, a nonbank bank held insured deposits on March 5, 1987, and was servicing those deposits, it could solicit and accept additional such deposits after that date?

Mr. PROXMIRE. Yes, that is correct.

Mr. CRANSTON. Further, is it correct that our colloquy of March 26 regarding joint marketing—page S3959 of the RECORD—would apply to insured deposits?

Mr. PROXMIRE. That is also correct.

Mr. CRANSTON. I would like to engage the floor manager in a colloquy concerning section 406 of the legislation. One provision of that section grants to the Federal Home Loan Bank Board new authority to establish minimum capital requirements on a case-by-case basis. I would first like to confirm that this authority is essentially the same as has been granted to the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency by the International Lending Supervision Act of 1983. Is that correct?

Mr. PROXMIRE. Yes, that is correct.

Mr. CRANSTON. It is my understanding that each of those agencies has published a notice of proposed rulemaking for capital maintenance and risk-based capital rules pursuant to the authority granted by the International Lending Supervision Act. Can the gentleman confirm that they have taken such action?

Mr. PROXMIRE. Each of the agencies has sought comment on such proposed rules.

Mr. CRANSTON. I would like to confirm that the gentleman shares my expectation that the Bank Board will also seek public comment through a rulemaking concerning the proper implementation of this new authority and thereafter will promptly publish permanent regulations. Moreover, this authority will not be exercised until temporary or permanent rules have been published in the Federal Register. Is that your expectation, as well?

Mr. PROXMIRE. It is.

HOLDING SHARES IN STREET NAME

Mr. RIEGLE. I worked with the chairman and other members of the committee to secure passage of an amendment clarifying the scope of section 101(c) of the bill relating to the prohibition on acquisitions of more than 5 percent of the shares of other bank or thrift institutions by grandfathered nonbank banks. That amendment was successful. However, since the committee action, I have been made aware of an additional, technical clarification which is needed. It is my understanding that the prohibition on acquiring control of more than 5 percent of the shares or assets of an institution would not generally apply to shares of stock held in street name on behalf of another if those shares are held by a securities firm solely on behalf of a customer, are not voted by the firm, and raise no concerns regarding control. Is that a correct interpretation of that language?

Mr. PROXMIRE. Yes, it is. But I want to emphasize that the firm holding the shares must act only as the agent of its customers, must not have control over the institution in question, must not attempt to exercise such control, and must not vote the shares in question.

CLASSIFICATION OF ASSETS

Mr. CRANSTON. I wish to confirm that the intent of title IV, section 402, paragraph (1) is to ensure that like assets of commercial banks and those of thrift institutions—for example, mortgage loans, home improvement loans, car loans, and other similar investments—shall be treated similarly by both the Federal banking regulators and the thrift regulators. Further, Mr. Chairman, is it your understanding that the conference committee recognized that there are significant differences in assets allowed by the Federal banking regulators and their thrift counterparts?

Mr. PROXMIRE. My colleague, Mr. CRANSTON is correct. The committee recognizes that there are differences in permissible assets allowed by Federal banking regulators and thrift regulators for different types of institutions. This section is not designed to redefine the permissible investments or the assets of a commercial bank or thrift institution or require them to have the same assets but to require a similar regulatory framework where the institutions have the same asset.

SECTION 101(h)

Mr. DODD. At page 121 of the Statement of Managers, there is a description of section 101(h) of the conference report that I do not believe is quite correct. Am I correct that section 101(h) exempts from the definition of a bank a nonbank bank the owner of which publicly announced before March 5, 1987, an intention to sell the institution and the purchaser of which acquires the institution within 180 days of enactment of this act, informs the Federal Reserve Board within 7 days of the purchase of its intention to convert the institution to a credit card bank, and actually converts the institution to a credit card bank within 180 days of purchasing the institution?

Mr. PROXMIRE. The Senator is correct.

THE ATM PROVISIONS OF TITLE VI, EXPEDITED FUNDS AVAILABILITY

Inasmuch as Senator DODD is the sponsor of the Senate's expedited funds availability legislation and was the chief negotiator with the House on the subject during the banking conference, I have a question about the meaning of the sections in title VI that deal with deposits made into proprietary and nonproprietary ATM's.

I understand that special provisions apply to nonproprietary ATM's to reflect the fact that the systems currently cannot distinguish between cash and checks and among different types of checks. I want to make sure I understand the distinction based upon whether an ATM is operated by a receiving depository institution.

Let's assume a consumer makes a deposit at an ATM operated by Philadelphia National Bank for itself and for several other depository institutions. If the depositor's account is maintained at Philadelphia National Bank, then the deposit would be made into a proprietary ATM because the ATM is operated by Philadelphia National Bank.

On the other hand, if the depositor's account is maintained at another institution that is part of the ATM network, then the deposit would be made into a nonproprietary ATM because the ATM is not operated by the depositor's depository institution.

Is that correct?

Senator DODD. Yes; that is correct.

INTENT OF THE SUPERVISORY APPEALS PROCESS—ENHANCE LEGITIMATE DELIBERATION WITHOUT INVITING ABUSE AND DELAY

Mr. GARN. With the chairman's permission I would like to engage in a brief colloquy concerning the supervisory appeals process.

Mr. PROXMIRE. I welcome the opportunity to engage the gentleman on this important provision.

Mr. GARN. We have all spent a great deal of time studying the balance between the need for timely, accurate, and effective supervisory decisions, and the concerns of some thrifts that the current process should be broadened to include some review of supervisory decisions independent of the supervisory agents. I commend the chairman for his leadership in shaping what I believe is the correct balance. I want to make clear that underlying the conference debate was a sense that what we were constructing was more a conduit for enhanced communication between supervisory agents and S&L's than an adversarial process. Evaluating the worth of real estate is hard work and not as precise and objective an analysis as we might wish—reasonable experts may differ. By arranging to have these decisions looked at by another pair of eyes, we intend to achieve greater consensus on supervisory decisions. We do not intend to create obstructions or combat—and, of course, this informal review process would not affect any other recourse available to either party.

Mr. PROXMIRE. The Senator is entirely correct. He and I both attended many meetings and briefings examining concerns of the thrift industry regarding overvalued or undervalued real estate and the always difficult calculation of write-downs. Write-downs are an essential part of the supervisory process. Moreover, they are essential to sound business operation and fiduciary responsibility. However, the write-down is only as accurate as full information and knowledge will allow, and even then, as the gentlemen notes, some difference of opinion may remain. The conferees recognized the supervisory appeals process will not create perfect supervision, but we believe it will help as long as all parties concerned act in good faith and with dispatch. There will be disagreements but we intend for there to be no abuse—this is a process for legitimate deliberation over a class of supervisory determinations. If that occurs, as Congress intends, then the entire supervisory process will be strengthened, its integrity enhanced, and the concerns of S&L's answered.

THE INTENT OF FORBEARANCE—AID THE DESERVING WITHOUT PERMITTING ABUSE BY IMPRUDENT OPERATORS

Mr. GARN. With the chairman's permission, I would like to engage in a brief colloquy concerning the findings and intent of the conference as to the capital recovery provisions.

Mr. PROXMIRE. I would be happy to engage the distinguished gentleman.

Mr. GARN. I have followed the issue of forbearance very closely—attended many hearings and briefings, and studied the record presented to the Congress. I conclude, as we all do, that there are serious problems in the savings and loan industry today. I commend the chairman for his leadership of what I believe to be a responsible and effective response to those problems.

Mr. PROXMIRE. I appreciate the Senator's remarks and acknowledge his invaluable contributions on these issues.

Mr. GARN. As the chairman is keenly aware there are many reasons why we find our savings and loan industry in its current state. First, there

are deep pockets of economic despair in this Nation, and as with some other industries, the thrift industry has been wounded. Our capital recovery plan responds to this plight and I know it carries the endorsement and commitment of the FSLIC and its operating head, the Bank Board, to carry forth our intent—that all well-managed and viable thrifts, with reasonable prospects for recovery and sound business plans, should be permitted and aided in their efforts to recover from their business woes as long as their condition is due, primarily, to the depressed economy.

However, Mr. Chairman, I don't think any of the conferees or any Members of either body of Congress want to give an equivocal message about another class of thrifts that are suffering and causing suffering to their depositors, stockholders, their own industry, the FSLIC itself, and ultimately, to the public and the very integrity of our Federal Deposit Insurance System.

This class of S&L's, and I emphasize for the record that it is a small minority of the industry, has operated thrifts in an unsafe and unsound condition—often engaging in fraudulent and reckless investment strategies, self-dealing, conflicts of interest, and a whole host of otherwise repugnant business practices in violation of statutes, regulations, ethics, their fiduciary duties, and plain decent business standards.

I know, the Senator feels very strongly about this issue, and it is important that the record of this Congress be clear—we have found that a substantial part of the S&L problem is a direct result of this type of misconduct. And we intend to provide no safe harbor for such people. Rather, we want to encourage strong and swift supervisory and enforcement action taken against anyone who would so abuse their thrift charters and the integrity of the FSLIC.

Mr. PROXMIRE. I thank the Senator for stating so eloquently that which I personally believe and which I understand to be the unanimous sentiment of the conferees.

We are pleased with the forbearance provisions, and confident that the Bank Board's regulations will advance our intent—to provide forbearance for institutions suffering through no fault of their own, without permitting a perversion of this provision by those thrift institutions troubled by their own misdeeds.

THE EXCEPTIONS TO THE 2-PLUS-2 EXIT FEE

Mr. GARN. With the chairman's permission, I would like to engage the gentleman in a brief colloquy concerning our understanding of the exceptions of what is referred to as the 2-plus-2 exit fee, whether imposed under section 21 of the Federal Home Loan Bank Act, or under section 407(d) of the National Housing Act.

Mr. PROXMIRE. I would be happy to discuss the provisions with the gentleman.

Mr. GARN. It is my understanding that we are excepting three limited categories of institutions from these preexisting and continuing statutorily prescribed exit fees: First, those that already left the FSLIC system for the FDIC on or before March 31, 1987; second, those that actually filed with or gave notice to the FSLIC, the Bank Board, or a State or Federal banking agency regarding a transaction that would result in their leaving the FSLIC for the FDIC; and third, those that entered into letters of intent or written memorandums of understanding regarding transactions that would result in their leaving the FSLIC for the FDIC. It is my understanding, Mr. Chairman, and the point for which I seek your confirmation, that this third category is intended to include those institutions that formally executed documents evidencing a decision to proceed with the transaction that results in their leaving the FSLIC, and conveyed those documents to parties involved in those transactions.

Mr. PROXMIRE. I thank the gentleman for raising such an important point for clarification, and appreciate the opportunity to make explicit that our intent is to except only those institutions that have, by March 31, 1987, formally executed letters of intent or written memorandums of understanding that indicate their present intent to proceed with the transaction that results in their leaving the FSLIC for the FDIC. Conversely, we do not intend to include in this excepted category those institutions that had, by March 31, 1987, conveyed to the parties in their transactions or developed for their internal consideration less than formally executed decisions to proceed—for example, discussion memorandums, issues papers, or other manifestations of predecisional negotiation and analysis.

Mr. GARN. I would like to engage the floor manager in a brief colloquy concerning one point of section 406 of the legislation. That section provides the Federal Home Loan Bank Board with authority to establish minimum capital requirements comparable to that granted the Federal banking agencies by the International Lending Supervision Act of 1983. I understand section 406 will be an invaluable tool for the Bank Board in fulfilling the public policy goal of raising the capital standards of the thrift industry and I heartily endorse this section. I also understand that section 406 is not intended to preclude the Board from phasing in higher capital levels over time commensurate with the strength of the industry, as determined by the Board.

Mr. PROXMIRE. The Senator is correct. Through the addition of ILSA, the Bank Board, for the first time, will have parity with Federal banking agencies as far as explicit statutory authority to raise minimum capital levels for the industry as a whole and on a case-by-case basis, as appropriate. This is a crucial component of effective supervision of a federally insured industry where capital is the touchstone of financial integrity and a guardian of our insurance guarantee. I agree with the gentleman that the requirements should be phased in, as determined by the Board, taking into consideration the relative strength of the thrift industry. I also note that the phase in of minimum capital requirements industrywide should not restrict and is not intended to inhibit a case-by-case application in the name of safety and soundness.

MORATORIUM ON OPERATING OPTIONS TRADING SYSTEM

Mr. CRANSTON. As a member of the conference committee on H.R. 27, I seek clarification from you about the moratorium provisions of title II. Specifically, I refer to section 201(b)(2)(C) concerning the operation of a nondealer marketplace in options. Am I correct in stating that the application of the moratorium to this particular activity is not intended to restrict banks, bank holding companies, or their subsidiaries or affiliates from providing traditional banking services in connection with all types of securities trades by acting as a custodian or transfer agent, by handling the disbursement of funds, by serving as a clearing agency, or by otherwise acting as an agent on behalf of a customer?

Mr. PROXMIRE. My friend from California is correct. The moratorium on operating a nondealer marketplace in options does not curtail the entities subject to the moratorium from engaging in those traditional banking activities which you have enumerated.

Mr. D'AMATO. I am glad to hear that Chairman PROXMIRE agrees with Senator CRANSTON's understanding of section 201(b)(2)(C) of the legislation because I share Senator CRANSTON's concerns about the exact meaning of this provision. Senator CRANSTON's and my concerns have been adequately addressed by your clarification, Chairman PROXMIRE, which further elaborates on the language contained in the manager's statement in the conference report.

Mr. D'AMATO. Mr. President. I urge my colleagues to support the legislation before us today because it is the culmination of almost a year and half of intense efforts to recapitalize the FSLIC fund.

While the bill contains 12 titles, I believe the most important of these provide direct and immediate benefits to the consumers of financial products and services and the depositors in the Nation's thrift institutions. Ironically,

the provisions which benefit the American consumer the most have received the least media attention. In addition to the recapitalization of the FSLIC fund, these provisions concern the:

Expediting of the check clearing process;

Congressional declaration reaffirming that the full faith and credit of the Federal Government stands behind those depository institutions insured by the Federal Government;

Allowance for extended loan loss amortization for agricultural banks;

Easing of the acquisition of failing and failed institutions so that the depositors of the institutions will not be denied access to their funds;

Payment of interests to the holders of yellow certificates of the Golden Pacific National Bank; and

Performance of studies by the Comptroller of the Currency designed to examine the safety and soundness of thrift institutions and to examine ways to expedite the processing and to minimize the expenses involved with the U.S. Government checks.

Much of the controversy surrounding the bill has dealt with titles I and II. These titles concern the closing of the so-called nonbank bank loophole and the imposition of a moratorium on banks and bank holding companies from engaging in certain activities prohibited by the Glass-Steagall Act. While I do not necessarily support all of the provisions of title I and would prefer a final legislative solution addressing the structure of our financial system rather than the moratorium contained in title II, I believe that the legislation in its current form represents a delicate balancing of greater interests that must be served and served soon.

For example, the warring factions that tend to be involved in the disputes regarding title I and title II involve what I describe as the "big boys." The tremendous disputes involving title I and title II put major commercial entities, domestic banking colossi, big investment houses, big thrift institutions and big insurance firms against each other. These institutions will suffer little, if any, long or short term hardships that may be inflicted by titles I and II of the bill.

I do not believe that the Congress should bow to the pressures exerted by the "big boys" who would like to derail the legislative process because they have failed to receive the favorable treatment which they so fervently sought and erroneously thought they deserved. I believe that the greater good served by this legislation which recommends its passage is found in the other 10 titles of the bill, especially title III, the FSLIC recapitalization plan.

The squabbling and struggling amongst the big boys about the future structure of the U.S. financial system is, at present, insignificant when compared to the threat that a loss of depositor confidence in the thrift industry poses to the financial system. Before we enact legislation designed to provide comprehensive reforms of the financial system, we must seek to ensure that the immediate threat to that system presented by an insolvent FSLIC fund is remedied. We must remember that ultimately regulators do not close financial institutions, lack of public confidence is the cause of their shut down. Comprehensive reform of the system will take more time, the crisis confronting FSLIC is immediate and therefore requires the immediate response provided for in title III and the forbearance provisions contained in title IV of the bill. While I would have preferred to recapitalize the FSLIC fund with an amount of $15 billion, I believe that the $10.825 billion is a vast improvement on the $7.5 billion contained in S. 790 and the $5 billion provided in H.R. 27. Therefore, I am prepared to endorse this legislation despite the screeching and moaning of the big boys who perceive themselves to be somehow wronged by titles I and II because:

First, the other provisions of the bill address problems of direct and immediate concern to the thrift industry and depositors in those institutions and indirectly to those individuals who finance their homes through loans from these institutions and the housing industry which constructs these homes;

Second, the moratorium contained in title II is temporary and expires on March 1, 1988; and

Third, because the members of the Senate Banking Committee have committed to addressing, in the near future, legislative proposals designed to address the structure of our domestic financial system.

Mr. HEINZ. Mr. President, it has been nearly 5 years since the Congress has passed any substantive banking legislation. In 1982, the Congress approved the passage of the Garn-St Germain Depository Institutions Act, a landmark event for America's economically distressed thrift industry. During the ensuing years, however, the Nation's financial services industry has been confronted by a mountain of critical financial issues which, if left unresolved, threatened to become a mudslide of competitive imbalance, regulatory chaos and financial instability and bury the financial services industry.

The legislation, reflected in the conference report before us today, is one that will address some of the more critical problems. It is one that will stabilize the financial services industry. It is one that will provide Congress the opportunity to review and establish national policy concerning the Nation's banking industry. It is one that is critical to the continued strength and viability of that industry. It is one that has my strongest support. It is one which I would unequivocally urge my colleagues to support.

Mr. President, the legislation has been controversial. It has been contentious. It has sparked sharp debate from all quarters. I want to commend Chairman PROXMIRE for his Herculean efforts in moving the bill to the point where it is today. I would note, Mr. President, that many of the provisions of the bill had their genesis under the chairmanship of Senator GARN, who is also to be congratulated for his efforts. Finally, the members of the conference committee are to be congratulated to their willingness to work through some very thorny issues and reach acceptable compromises that will benefit both the financial services industry and the consumers.

Five years ago, a crisis in the Nation's thrift industry prompted the legislation enacted at that time. It is ironic that a second crisis in the same industry; namely, the crisis confronting the Federal Savings and Loan Insurance Fund—is what has brought us back to the legislative drawing board again.

This legislation recapitalizes the Federal Savings and Loan Insurance Corporation. Last year, I noted that the FSLIC was a ticking time bomb. It was. It had been pushed beyond its capacity and, at that time, faced potential bankruptcy, due to the inordinate number of problem cases and mounting losses facing it. The Federal Home Loan Bank Board imposed a special assessment on individual FSLIC-insured institutions but it was not enough to staunch the hemorrhage of the cost of resolution of the growing number of very expensive FSLIC cases and bolster the needed long-term recapitalization of the fund.

As we all know too well, Mr. President, the FSLIC was declared insolvent in the spring of this year. The thrift industry's contributions to the secondary reserves were extinguished. In the absence of any resources, the Corporation could not resolve any more problem cases. Needless to say, the public's confidence in the system was severely undermined, as witnessed by the silent runs on both healthy and ill institutions in the economically troubled areas of the country.

This legislation addresses these problems. It provides an industry-funded plan to recapitalize the FSLIC. The proposal is supported by the administration, the industry and the conferees. It permits bonding authority of $10.83 billion, with $830 million of that amount to be used to restore the industry's contribution to the secondary reserve.

In conjunction with the shoring up of the FSLIC, the bill also extends and expands the Federal regulators' authority to arrange emergency interstate acquisitions of failing institutions. This will enable the regulators to deal with financially distressed institutions in the most effective and orderly fashion. More importantly, it will ensure absolute protections for deposits and full confidence in the financial marketplace.

Needless to say, Mr. President, the long-term recapitalization of the FSLIC Fund was the engine driving this bill. But the state of the FSLIC Fund was and is only the tip of the iceberg. There are other issues that must be addressed not only to guarantee the success of the FSLIC recapitalization plan but also to stabilize the entire financial services industry.

Rapid and revolutionary forces have buffeted the industry in recent years. It is obvious that the Nation is at a crossroad in terms of what its national financial policy and system will be. In light of this, Congress has the responsibility to reexamine the existing statutory framework—most of which has been in place for over 50 years—to determine whether it is still relevant in light of the rapid evolution of the marketplace, technology, and consumer needs. Since the last major banking legislation, however, Congress' role has been usurped by ad hoc deregulatory efforts on a piecemeal basis, whether by regulatory and judicial fiat or by those who have exploited loopholes in the existing law. The result is that while the system is not broken, it has definitely run amok. The situation can best be described by quoting from a familiar passage of a children's book:

> I don't think they play at all fairly, * * * and they all quarrel so dreadfully one can't hear oneself speak—and they don't seem to have any rules in particular; at least, if there are, nobody attends to them—and you've no idea how confusing it all is * * *.

Mr. President, the words of Lewis Carroll's "Alice in Wonderland" are more befitting to the state of the Nation's banking system during this period. New competitors, possessing new competitive advantages, are threatening the entire system, at the expense of the Federal Deposit Insurance System.

The legislation before us addresses some of these critical issues at this time. In my mind, it is the best solution to reestablish the "fair play" and the "rules" and to eliminate the "confusion" by reasserting congressional authority over our fundamental banking laws until we can conduct a comprehensive review of the statutory framework.

How does it do this? Let me elaborate very briefly:

First, the legislation closes the nonbank bank loophole and forces those institutions to play by the rules that the rest of the banks must abide by. This is a crucial component to the legislation. It restores competitive equity to the Nation's banking system by bringing within the parameters of Federal law those entities that are banks in every sense of the word except for purposes of the bank holding company. With certain limited exceptions, firms owning these limited service banks will now be subject to the same regulations governing geographic and product expansion as are bank holding companies.

It is important to note, Mr. President, that closing the nonbank bank loophole does more than bring the firms owning these entities under the umbrella of the Bank Holding Company Act. It eliminates the potential not only for abuse but also for creating a situation fraught with adverse consequences for the system as a whole. It will also expedite the recovery of the thrift industry. Until now, the nonbank bank loophole has given commercial banks and other enterprises a simple and inexpensive way to acquire interstate franchise rights. A very serious result has been the virtual elimination of serious bids for severely troubled thrifts and the undermining of any chance for success of the recapitalization proposal. Closing the loophole and permitting new firms, including entities owning grandfathered nonbank banks to acquire failing thrifts will bring new capital into the struggling industry and assure the long-term recapitalization of the FSLIC Fund.

Second, the legislation freezes until March 1, 1988, the Federal regulators from expanding existing authorities of banks to engage in nonbanking activities. I don't like legislated moratoria, Mr. President, because they don't solve the problems confronting the financial services industry. All they do is buy us time. However, in my opinion, the decision to make new or to change existing policy with respect to banking activities remains solely within the purview of the Congress and not by regulatory or State fiat and loophole leaders. Given the impasse that has existed on the subject as well as the piecemeal erosion of our banking laws, the moratorium was absolutely necessary. This legislation provides the Banking Committee and the Congress with a stable financial environment in which to conduct a thorough and searching review of the statutory framework governing the financial services industry.

I am convinced that the Congress, with appropriate input from all quarters, can and will examine carefully the structure of our financial system and resolve this matter in the 100th Congress. The members of the committee, including myself, have committed themselves to undertake this action. In fact, the Banking Committee has already commenced its review of the existing laws to determine whether they are still relevant and what changes, if any, need to be made in order to ensure the continued viability and safety and soundness of the system. These are complex issues and deserve this type of comprehensive review. The moratorium gives us the time, the information and the expertise to conduct the type of review to which the issue is entitled.

Mr. President, there are other meritorious provisions in this legislation. The bill provides much needed relief for consumers against banks who place unnecessarily long holds on deposited checks. It gives banks—and farmers—beset by problems in the agricultural sector of our economy time to work out troubled loans. It restores confidence in the Nation's Federal Deposit Insurance System by reaffirming the sense of the Congress that the full faith and credit of the United States protects depositors' funds in federally insured institutions.

This is a very good piece of legislation, Mr. President. It resolves the immediate problems facing the industry today. More importantly, it provides the framework to address the upcoming issues. I am proud to have been a participant in the committee, the Senate, and the conference which produced this final product.

Mr. GRASSLEY. Mr. President, the legislative process can certainly be long, some would say cumbersome. However, the framers of our Government intended that lawmaking would be a painful art, and evolution of developing ideas and vision.

Mr. President, H.R. 27, the Competitive Equality Banking Act of 1987 embodies this art. Our colleagues from Wisconsin and Utah, Mr. PROXMIRE and Mr. GARN, know all too well the pain that this art may entail. Their efforts, their vision, their dedication, are appreciated. It is no small task to acquire consensus among the divergent financial groups which have joined in support behind this bill. The bill in its entirety, while not perfect, represents progress in the financial services industries.

In particular, Mr. President, I would like to extend appreciation to Senator DIXON, who sponsored the amendment which became title VIII of this bill. Title VIII provides for 7-year amortization of farm loans in agricultural banks. I am very proud to have joined him, along with 10 other Senators, as a cosponsor of this section.

In Iowa many banks have been closed due to a troubled farm economy. Just last week another Iowa bank, the fifth this year, was closed due to problem agricultural loans. Regulators at FDIC predict that 200 banks nationally will fail before the close of

1987. This deferral period for farm loan losses will not only enable some rural communities to keep their banks open, it will also provide many lenders an incentive to keep productive farmers in business by writing down their debt to manageable levels. This partial solution to the farm crisis will not cost Government a dime, but will provide the farm economy time and flexibility to adjust to a new economic environment.

In support of this provision, I wrote letters to the conferees to urge them to include it in the conference committee report. In further support of this provision, as well as in support of the emergency assistance to the Federal Savings and Loan Insurance Corporation, I have sent a letter to the President to urge him to sign H.R. 27 into law.

So in conclusion, Mr. President, I urge my colleagues to support this bill, as reported out of the conference committee. I believe that it represents a fair compromise among the financial services. Especially, it provides much needed assistance to rural banks.

Mr. GORE. Mr. President, I rise today in support of the conference agreement for the Competitive Equality Banking Act of 1987. This legislation is vital to restore public trust in the stability of our savings and loan institutions.

Title III of the conference report, the Federal Savings and Loan Insurance Corporation [FSLIC] recapitalization, has been accurately described as emergency legislation. This provision would provide $10.825 billion with an annual net borrowing limit of $3.75 billion to recapitalize the insolvent FSLIC. The Federal Savings and Loan Insurance Corporation was $6 billion in the red at the end of last year because of the large number of S&L failures. Furthermore, it is estimated that savings and loans are currently losing $6 million a day. The conference agreement also establishes a forbearance system to keep well-managed but troubled financial thrifts open. I believe that this legislation will prevent a disaster waiting to happen—a taxpayer bailout of the S&L industry—and restore public confidence in the thrift industry.

While emergency legislation may come and go, the most far-reaching effects of the Competitive Equality Banking Act of 1987 will be its long-awaited move toward congressional restructuring of the financial services industry. No longer will judges and regulators determine the rules in a rapidly changing, increasingly technological industry. As the distinction between banking and commerce continues to blur, the global scale of the industry pits U.S. financial institutions against largely unregulated foreign firms: Foreign institutions can get around many U.S. banking laws, yet U.S. firms are being shut out of the playing field overseas. Congress must act to allow U.S. financial institutions to retain their competitive edge.

I have urged Banking Committee members on a number of occasions to enact comprehensive reform of the financial services industry. I welcome my colleagues' pledge to act on this overall issue before the temporary provisions of the Competitive Equality Banking Act of 1987 expire. Even while Congress has been debating H.R. 27, the Banking Committees have been holding hearings concerning issues of the long-term restructuring of the financial services industry. I look forward to working with my colleagues on this critical issue of the long-term health of the financial services industry.

The conference agreement addresses several critical areas: The closing of the nonbank bank loophole except for those in operation on or before March 5, 1987; a moratorium on the ability of banks to sell securities, insurance, or real estate until March 1988; and permitting any financial or commercial concern to acquire an insolvent savings and loan association with assets of $500 million or more. This conference report has garnered widespread support on the whole—even though many groups strongly oppose specific provisions—because it sets the stage for expeditious congressional action on the vital issues of competition within the financial services industry.

Furthermore, the conference agreement contains a long-sought victory for consumers. The check hold provision will allow customers quicker access to their funds deposited in financial institutions. For checks within the same general area, consumers will soon be able to have access to their funds the day following deposit. For checks that were drawn outside the area, a longer waiting period would be required. This provision will put an end to extraordinary delays in the processing of checks by some financial institutions.

I would like to commend my colleagues on the Banking Committees for their hard work in crafting this compromise. I hope that the Senate will pass this measure expeditiously, and the President will sign it into law.

Mr. SASSER. Mr. President, as a member of the Banking Committee I rise in support of the conference report on the Competitive Equality Banking Act of 1987. This bill is the product of several months of intensive work by the members of the Senate and House Banking Committees. It is vitally important legislation.

The bill recapitalizes the Federal Savings and Loan Insurance Corporation, and provides a badly needed infusion of funds to shore up the thrift industry. Although I am concerned that the bill may now provide too much money, too quickly, to an agency that does not yet have a track record of efficient management, I cannot overlook the fact that this action is desperately necessary. The bill and the recapitalization program will restore confidence in the deposit insurance system and thereby avert a potential financial crisis of unprecedented proportions.

The bill also closes the nonbank bank loophole once and for all. By doing so, it stops the entry of unregulated, diversified companies into the banking business. Nonbank banks, creatures of loophole lawyers, had raised regulatory havoc and engendered extensive litigation.

The bill makes a number of advances in consumer protection. Most importantly, it helps the American consumer by providing for a system of expedited check clearing. No longer will financial institutions be able to deny a person access to his money by placing lengthy holds on checks. In addition, in another area where consumers have had problems, the bill places caps on all adjustable rate mortgages and home equity loans.

Lastly, Mr. President, the bill's temporary moratorium on certain regulatory actions by the Federal banking agencies sets the stage for a comprehensive review, by the Banking Committee, of proposals to restructure the financial services industry and of the question of expanded products and services for commercial banks.

Mr. President, most of all, this legislation is a tribute to the tireless efforts and courageous leadership, of my friend and colleague, Senator PROXMIRE. As chairman of the Banking Committee, he guided this bill through an obstacle course of special interests and legislative logjams. Indeed, back in January, when he started this process, most people said it could not be done. They said too much time had passed since the last banking bill and the marketplace had changed too much. According to this view, we either had to do a narrow clean FSLIC bill or we needed to undertake a massive rewriting of the Nation's banking laws.

Chairman PROXMIRE held his ground. He advanced a moderate proposal, and modified it in the Banking Committee in order to form a consensus. He molded this legislative package along the policy lines that he has upheld throughout his long and illustrious career. The Banking Committee accepted it and, I might add, it has changed very little since it was reported by the committee March 10.

This bill puts the safety and soundness of our Nation's depositors foremost. The interests of consumers and competitive equity in the banking industry are protected by a scheme of fair and evenhanded regulation. It helps ensure that future national

banking policy will be made by Congress, by setting forth a framework for comprehensive legislation. But it calls a halt to disquieting trends that had been fostered by loophole lawyers and uncontrollable market forces.

In sum, Mr. President, this bill puts us back on the right track. Again, I congratulate Senator PROXMIRE for his leadership and achievement. I yield the floor.

FSLIC EXIT FEES UNDER H.R. 27, THE COMPETITIVE EQUALITY BANKING ACT OF 1987

Mr. RUDMAN. I would like to take this opportunity to clarify the application of exit fee exemptions under H.R. 27. As I understand it, H.R. 27 requires the financing corporation to assess an exit fee on any insured institution which ceases to be an institution insured by the FSLIC. However, section 21(f)(4)(F) of the measure provides exemptions for institutions which have taken certain steps prior to March 31, 1987. Specifically, section 21(f)(4)(F)(iii) of the bill provides an exemption for institutions which "entered into a letter of intent or a written memorandum of understanding, pursuant to a transaction which will result in the termination of the institution's status as an insured institution in connection with its conversion into, merger with, acquisition by consolidation with, reorganization into, or combination by any means with, an institution the deposits of which are insured by the Federal Deposit Insurance Corporation."

Mr. PROXMIRE. That is correct.

Mr. HUMPHREY. If a savings and loan institution signed a letter of intent with a bank providing for the merger of the two institutions on March 19, 1987, then filed an application with the Federal Deposit Insurance Corporation [FDIC] for insurance of accounts in connection with the proposed merger transaction on April 23, 1987, would this institution qualify for the exemption under section 21(f)(4)(F)(iii), notwithstanding the fact that the proposed merger subsequently fell through in June 1987, if this institution pursues FDIC insurance by modifying its FDIC application?

Mr. PROXMIRE. Yes, it would qualify since the letter of intent was entered into on March 19, 1987, before the March 31 grandfather date, and as part of the process initiated by that letter the institution will change its insurance status to FDIC-insured. Thus grandfather status attaches despite the fact that the original merger transaction was not consumated as announced in June 1987, since the April 23 application to change insurance stems from the March 19 date. But this only applies since the April 23 application to the FDIC, under which the conversion will occur, was filed before the date of enactment of this bill. Thus if conversion does not proceed under the April 23 application—as may be modified with the approval of the FDIC—the institution will lose its grandfather rights.

If the institution retains its grandfather rights, it may proceed with its application notwithstanding the 1 year prohibition on termination of FSLIC insurance under section 306(h).

Mr. RUDMAN. I would inquire of the ranking manager of the bill if this is also his interpretation of this matter.

Mr. GARN. Yes, I agree with the assessment just given by the distinguished chairman, Mr. PROXMIRE.

Mr. RUDMAN. I thank the chairman and the ranking manager.

Mr. HUMPHREY. I too wish to thank the chairman and ranking manager for their assistance in this matter.

The PRESIDING OFFICER. The Senator from Utah.

Mr. GARN. Mr. President, I have no other requests for speaking on my side of the aisle, and I am willing to yield back my time.

Mr. PROXMIRE. Mr. President, we have no request on this side, and I yield back my time.

As I understand, the yeas and nays have been ordered.

The PRESIDING OFFICER. The yeas and nays have not been ordered.

Mr. PROXMIRE. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. All time having now been yielded back, the question occurs on the conference report. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Hawaii [Mr. INOUYE] and the Senator from Illinois [Mr. SIMON] are necessarily absent.

The PRESIDING OFFICER (Mr. WIRTH). Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 96, nays 2, as follows:

[Rollcall Vote No. 226 Leg.]

YEAS—96

Adams	D'Amato	Harkin
Baucus	Danforth	Hatch
Bentsen	Daschle	Hatfield
Biden	DeConcini	Hecht
Bingaman	Dixon	Heflin
Bond	Dodd	Heinz
Boren	Dole	Helms
Boschwitz	Domenici	Hollings
Bradley	Durenberger	Humphrey
Breaux	Evans	Johnston
Bumpers	Exon	Karnes
Burdick	Ford	Kassebaum
Byrd	Fowler	Kasten
Chafee	Garn	Kennedy
Chiles	Glenn	Kerry
Cochran	Gore	Lautenberg
Cohen	Graham	Leahy
Conrad	Gramm	Levin
Cranston	Grassley	Lugar
Matsunaga	Pell	Shelby
McCain	Pressler	Simpson
McClure	Proxmire	Specter
McConnell	Pryor	Stafford
Melcher	Quayle	Stennis
Metzenbaum	Reid	Stevens
Mikulski	Riegle	Symms
Mitchell	Rockefeller	Thurmond
Moynihan	Roth	Trible
Murkowski	Rudman	Warner
Nickles	Sanford	Weicker
Nunn	Sarbanes	Wilson
Packwood	Sasser	Wirth

NAYS—2

Armstrong	Wallop

NOT VOTING—2

Inouye	Simon

So the conference report was agreed to.

Mr. GARN. I move to reconsider the vote by which the conference report was agreed to.

Mr. PROXMIRE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BYRD. Mr. President, may we have order in the Senate?

The PRESIDING OFFICER. The Senate will be in order.

MEDICARE CATASTROPHIC ILLNESS

Mr. BYRD. Mr. President, we still have some good working hours left in the day. I would like to inquire of the distinguished Republican leader if we might go to the bill, S. 1127, a bill to provide for Medicare catastrophic illness coverage. I think we have time in the remainder of this week to complete action on this measure if we can get started on it. It is important, not only to the poor and the elderly, but to our other citizens as well.

Mr. President, may we have order in the Senate?

Mr. President, the distinguished Republican leader has been making a very conscientious effort to have this bill cleared on his side. I know that he has been doing that.

There have been some problems there. There are no holds on this side and there have not been any. There is no objection to proceeding with this measure on this side. There were no objections yesterday.

I would like to inquire of the distinguished Republican leader as to what success he may have had on his side in getting this measure cleared for action.

Mr. President, I would like to have order in the Senate.

The PRESIDING OFFICER. Before proceeding——

Mr. BYRD. If the Sergeant at Arms can help us?

The PRESIDING OFFICER. The Chair would request that Senators wishing to converse retire to the cloakroom.

The minority leader is recognized.

Mr. DOLE. Let me indicate to the majority leader that the distinguished Senator from Minnesota, Senator DURENBERGER, is in process of contacting each of the Senators who have holds on the catastrophic coverage bill. He has had some success. I thought I might catch him on the floor. I will have to check to make that determination, but I do know for the moment at least, I would have to object on behalf of another. I have no objection.

This matter was raised this morning at the White House with the President. The President indicated he does support catastrophic coverage. He did recommend legislation. He is concerned about the cost of the House-passed bill and the cost of what he believes are some features of the Senate bill, but, obviously, the administration has nothing to do with when we bring it up. So I will get back to the majority leader.

I do believe there is at least, if not time to finish this bill, there will be time to do a lot of discussions and have a lot of good debate on the bill before we leave here on Friday.

Mr. BYRD. Mr. President, I believe we have time to complete action on this bill before we go out for the August break. I have a responsibility to do everything I can to try to get the measure up.

I am sure that if we can get the measure up that those who have problems, I think, will be under great pressure to try to work together to resolve those problems, and I thank the Republican leader for his efforts. I know that, if he has someone on his side—and I am confident that he does, I have no doubt about that—he is not at liberty to give consent to call it up, but I feel that I have to make the effort. I hope that, if it is objected to, by the Republican leader on behalf of another Senator, that efforts will continue to clear it and, having said that, I ask unanimous consent that the Senate proceed to consideration of S. 1127.

The chairman of the Finance Committee, Mr. BENTSEN, is on the floor right now.

He made a good case for proceeding with this measure on yesterday.

Mr. President, before I put the request formally, I yield to the distinguished chairman of the committee, Senator BENTSEN, for any comments he may have.

Mr. BENTSEN. Mr. Leader, we have had a great deal of time to study this measure and to prepare for debate on it. We have had the committee report printed. In turn, I instruct all staff to handle with priority any call from any Member pertaining to this legislation. We are prepared to go forward with it.

Mr. President, this is a bill that came out of committee by a unanimous vote, 20 to 0, with bipartisan support, very strong support.

Mr. President, the longer we wait means that those who are the least able to afford those kinds of financial sacrifice will be faced with a choice of deciding between food and medical care. It means that we are going to have more and more families who will be financially destitute as they try to take care of catastrophic illnesses.

Mr. President, this is something that was in the President's State of the Union Address as part of his agenda. This further undermines that.

We have no holds on our side. I strongly urge anyone who has a hold on this legislation to give consideration to the fact that they will be out in their State for 30 days and they will have all the interest groups on both sides trying to put pressure on them. I think we ought to address it now and get it done. It is clearly needed and it is good legislation.

Frankly, to those who think if they wait they will have less to contend with, I think they are seriously wrong. I see all the staff diligently pouring over that particular piece of legislation, trying to add further amendments to it. Most of those amendments will cost more money. We are already facing serious problems on the budget and we are trying to settle that.

Mr. President, I would urge that we move ahead with this matter. I think the most contentious issue will be the question on prescription drugs. In turn, I suppose in part there will be the compensation or paying for the catastrophic illness. But those are things that we should be able to reach agreement on without too much debate.

Mr. BYRD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of S. 1127, a bill to provide for catatrophic illness coverage, and for other purposes.

The PRESIDING OFFICER. Is there objection?

Mr. DOLE. Mr. President, reserving the right to object, I will object on behalf of other Senators on this side. Again I would pledge to the majority and the distinguished chairman that we are trying to help in moving this along. I do not have any quarrel with doing that. The distinguished ranking Republican, Senator PACKWOOD, is here. And I am advised that Senator DURENBERGER is in the middle of a meeting and as soon as he completed that he will get back to the distinguished majority leader.

The PRESIDING OFFICER. Objection is heard.

Mr. BYRD. I thank the distinguished Republican leader.

VETERANS' EMPLOYMENT AND TRAINING AMENDMENTS

Mr. BYRD. Mr. President, I understand this is a request which has been cleared on the other side of the aisle.

Mr. President, I ask unanimous consent that the Senate proceed to the consideration of S. 999, Calendar Order 262.

The PRESIDING OFFICER. The clerk will report.

The legislation clerk read as follows:

A bill (S. 999) to amend title 38, United States Code, and the Veterans' Job Training Act to improve veterans' employment, counseling, and job training services and programs.

The PRESIDING OFFICER. Without objection, the Senate will proceed to its immediate consideration.

The Senate proceeded to consider the bill which had been reported from the Committee on Veterans' Affairs with an amendment to strike all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE; REFERENCE TO TITLE 38, UNITED STATES CODE.

(a) SHORT TITLE.—This Act may be cited as the "Veterans' Employment, Training, and Counseling Amendments of 1987".

(b) REFERENCES TO TITLE 38.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or a repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 38, United States Code.

SEC. 2. ADMINISTRATION OF EMPLOYMENT AND TRAINING PROGRAMS.

(a) Section 2002A is amended—

(1) by inserting "(a)" before "There"; and

(2) by adding at the end the following new subsections:

"(b) The Secretary shall—

"(1) carry out all provisions of this chapter through the Assistant Secretary of Labor for Veterans' Employment and Training and administer through such Assistant Secretary all programs under the jurisdiction of the Secretary for the provision of employment and training services designed to meet the needs of disabled veterans, veterans of the Vietnam era, and all other eligible veterans and eligible persons;

"(2) in order to make maximum use of available resources, encourage all such programs and all grantees under such programs to enter into cooperative arrangements with private industry and business concerns (including small business concerns), educational institutions, trade associations, and labor unions;

"(3) ensure that maximum effectiveness and efficiency are achieved in providing services and assistance to eligible veterans under all such programs by coordinating and consulting with the Administrator with respect to (A) programs conducted under other provisions of this title, with particular emphasis on coordination of such programs with readjustment counseling activities carried out under section 612A of this title, apprenticeship or other on-job training programs carried out under section 1787 of this title, and rehabilitation and training activities carried out under chapter 31 of this title, and (B) the Veterans' Job Training Act (Public Law 98-77, 29 U.S.C. 1721 note);

"(4) ensure that job placement activities are carried out in coordination and cooperation with appropriate State public employment service officials;

"(5) subject to subsection (c)(2) of this section, make available for use in each State, directly or by grant or contract, such funds as may be necessary (A) to support (i) disabled veterans' outreach program specialists appointed under paragraph (1) of section 2003A(a) of this title, and (ii) local veterans' employment representatives assigned under section 2004(b) of this title, and (B) to support the reasonable expenses of such specialists and representatives for training, travel, supplies, and fringe benefits, including travel expenses and per diem for attendance at the National Veterans' Employment and Training Service Institute established under section 2010A of this title;

"(6) monitor and supervise on a continuing basis the distribution and use of funds provided for use in the States under this paragraph (5) of this subsection; and

"(7) monitor the appointment of disabled veterans' outreach specialists and the assignment of local veterans' employment representatives in order to ensure compliance with the provisions of section 2003A(a)(1) and 2004(a)(4), respectively.

"(c)(1) The distribution and use of funds under subsection (b)(5) of this section in order to carry out sections 2003A(a) and 2004(a) of this title shall be subject to the continuing supervision and monitoring of the Secretary and shall not be governed by the provisions of any other law, or any regulations prescribed thereunder, that are inconsistent with this section or section 2003A or 2004 of this title.

"(2) In determining the terms and conditions of a grant or contract under which funds are made available in a State under subsection (b)(5) of this section in order to carry out section 2003A(a) or 2004 (a) and (b) of this title, the Secretary shall take into account (A) the evaluations, carried out pursuant to section 2003(c)(13) of this title, of the performance of local employment offices in the State, and (B) the results of the monitoring, carried out pursuant to paragraph (1) of this subsection, of the use of funds under subsection (b)(5) of this section.

"(d) The Secretary shall assign to each region for which the Secretary operates a regional office a representative of the Veterans' Employment and Training Service to serve as the Regional Director for Veterans' Employment and Training.".

(b) CONFORMING AND CLERICAL AMENDMENTS.—(1) Section 2003A is amended—

(A) in subsection (a)—

(i) by striking out paragraphs (1), (3), and (5) and redesignating paragraphs (2) and (4) as paragraphs (1) and (2), respectively;

(ii) in paragraph (1) (as so redesignated)—

(I) by amending the first sentence to read as follows: "The amount of funds made available for use in a State under section 2002A(b)(5)(A)(i) of this title shall be sufficient to support the appointment of one disabled veterans' outreach program specialist for each 5,300 veterans of the Vietnam era and disabled veterans residing in such State";

(II) in the third, fourth, and fifth sentences, by inserting "qualified" before "disabled" each place it appears; and

(III) in the fifth sentence, by inserting "qualified" after "any"; and

(iii) in paragraph (2) (as so redesignated), by striking our "paragraph (2) of"; and

(B) by striking out subsection (d).

(2) Section 2006 is amended—

(A) in subsection (a), by striking out the last sentence; and

(B) in subsection (d), by striking out "of Labor, upon the recommendation of the Assistant Secretary of Labor for Veterans' Employment,".

(3)(A) Section 2009 is repealed.

(B) The table of sections at the beginning of chapter 41 is amended by striking out the item relating to section 2009.

SEC. 3. LOCAL VETERANS' EMPLOYMENT REPRESENTATIVES.

(a) IN GENERAL.—(1) Section 2004 is amended to read as follows:

"§ 2004. Local veterans' employment representatives

"(a)(1) The total of the amount of funds made available for use in the States under section 2002A(b)(5)(A)(ii) of this title shall be sufficient to support the assignment of 1,600 full-time local veterans' employment representatives and the States' administrative expenses associated with the assignment of that number of such representatives and shall be allocated to the several States so that each State receives funding sufficient to support—

"(A) the number of such representatives who were assigned in such State on January 1, 1987, plus one additional such representative;

"(B) the percentage of the 1,600 such representatives for which funding is not provided under clause (A) of this paragraph which is equal to the average of (i) the percentage of all veterans residing in the United States who reside in such State, (ii) the percentage of the total of all eligible veterans and eligible persons registered for assistance with local employment offices in the United States who are registered for assistance with local employment offices in such State, and (iii) the percentage of all full-service local employment offices in the United States which are located in such State; and

"(C) the State's administrative expenses associated with the assignment of the number of such representatives for which funding is allocated to the State under clauses (A) and (B) of this paragraph.

"(2)(A) The local veterans' employment representatives allocated to a State pursuant to paragraph (1) of this subsection shall be assigned by the administrative head of the employment service in the State, with the concurrence of the State Director for Veterans' Employment and Training, so that as nearly as practical (i) one full-time such representative is assigned to each local employment office at which a total of at least 1,100 eligible veterans and eligible persons is registered for assistance, (ii) one additional full-time such representative is assigned to each such local employment office for each 1,500 such individuals above 1,100 such individuals who are so registered at such office, and (ii) one half-time such representative is assigned to each local employment office at which at least 350 but less than 1,100 such individuals are so registered.

"(B) In the case of a local employment office at which less than 350 such individuals are so registered, the head of such office (or the designee of the head of such office) shall be responsible for ensuring compliance with the provisions of this title providing for priority services for veterans and priority referral of veterans to Federal contractors.

"(3) For the purposes of this subsection, an individual shall be considered to be registered for assistance with a local employment office during a program year if the individual—

"(A) registered, or renewed such individual's registration, for assistance with the office during that program year; or

"(B) so registered or renewed such individual's registration during a previous program year and, in accordance with regulations which the Secretary shall prescribe, is counted as still being registered for administrative purposes.

"(4) Each local veterans' employment representative shall be a veteran. Preference shall be given in the assignment of such representatives to qualified disabled veterans. If the Secretary finds that no qualified disabled veteran is available for any such assignment, such assignment may be given to a qualified veteran who is not a disabled veteran.

"(b) Local veterans' employment representatives shall be assigned, in accordance with this section, by the administrative head of the employment service in each State.

"(c)(1) The services provided by local veterans' employment representatives shall be subject to the functional supervision specified in section 2003(c)(1)(A) of this title.

"(2)(A) Except as provided in subparagraph (B) of this paragraph, the work of local veterans' employment representatives shall be fully devoted to discharging at the local level the duties and functions specified in section 2003 (c)(1)(B) and (c) (2) through (12) of this title.

"(B) The duties of local veterans' employment representatives shall include providing, or facilitating the provision of, counseling services to veterans who, pursuant to section 5(b)(3) of the Veterans' Job Training Act (Public Law 98-77; 29 U.S.C. 1721 note), are certified as eligible for participation under such Act.".

(2) The item relating to such section in the table of sections at the beginning of chapter 41 is amended to read as follows:

"2004. Local veterans' employment representatives.".

(b) BUDGETING.—Section 2006(a) is amended—

(1) in the fifth sentence—

(A) by striking out "to fund the disabled veterans' outreach program under section 2003A" and inserting in lieu thereof "in all of the States for the purposes specified in paragraph (5) of section 2002A(b) of this title and to fund the National Veterans' Employment and Training Service Institute under section 2010A"; and

(B) by striking out "such section" and inserting in lieu thereof "such sections"; and

(2) by amending the sixth sentence to read as follows: "Each budget submission with respect to such funds shall include separate listings of the proposed numbers, by State, of disabled veterans' outreach program specialists appointed under section 2003A(a)(1) of this title and local veterans' employment representatives assigned under section 2004(b) of this title, together with information demonstrating the compliance of such budget submission with the funding requirements specified in the preceding sentence.".

(c) REPORTING REQUIREMENTS.—Subsection (c) of section 2007 is amended to read as follows:

"(c) Not later than February 1 of each year, the Secretary shall report annually to the appropriate committees of the Congress on the success during the preceding fiscal year of the Department of Labor and its affiliated State employment service agencies

in carrying out the provisions of this chapter and programs for the provision of employment and training services to meet the needs of veterans. The report shall include—

"(1) specification, by State, of the numbers of eligible veterans, veterans of the Vietnam era, disabled veterans, special disabled veterans, and eligible persons who registered for assistance with the public employment service system and, of each such categories, the numbers referred to and placed in jobs, the numbers referred to and placed in jobs and job training programs supported by the Federal Government, the number counseled, and the number who received some reportable service;

"(2) any determination made by the Secretary during the preceding fiscal year under section 2006 of this title or subsection (a)(2) of this section and a statement of the reasons for such determination;

"(3) a report on activities carried out during the preceding fiscal year under sections 2003A and 2004 of this title; and

"(4) a report on the operation during the preceding fiscal year of programs for the provision of employment and training services designed to meet the needs of veterans, including an evaluation of the effectiveness of such programs during such fiscal year in meeting the requirements of section 2002A(b) of this title, the efficiency with which services were provided under such programs during such year, and such recommendations for further legislative action (including the need for any changes in the formulas governing the appointment of disabled veterans' outreach program specialists under section 2003A(a)(2) of this title and the assignment of local veterans' employment representatives under section 2004(b) of this title and the allocation of funds for the support of such specialists and representatives) relating to veterans' employment as the Secretary considers appropriate.".

SEC. 4. PERFORMANCE OF DISABLED VETERANS' OUTREACH PROGRAM SPECIALISTS AND LOCAL VETERANS' EMPLOYMENT REPRESENTATIVES.

(a) IN GENERAL.—Chapter 41 is amended by inserting after section 2004 the following new section:

"§ 2004A. Performance of disabled veterans' outreach program specialists and local veterans' employment representatives

"(a)(1) After consultation with State employment agencies or their representatives, or both, the Secretary shall prescribe, and provide for the implementation and application of, standards for the performance of disabled veterans' outreach program specialists appointed under section 2003A(a) of this title and local veterans' employment representatives assigned under section 2004(b) of this title and shall monitor the activities of such specialists and representatives.

"(2) Such standards shall be designed to provide for—

"(A) in the case of such specialists, the effective performance at the local level of the duties and functions of such specialists specified in section 2003A (b) and (c) of this title,

"(B) in the case of such representatives, the effective implementation at the local level of the duties and functions specified in paragraphs (1)(B) and (2) through (12) of section 2003(c) of this title, and

"(C) the monitoring and rating activities prescribed by subsection (b) of this section.

"(3) Such standards shall include as one of the measures of the performance of such a specialist the extent to which the specialist, in serving as a case manager under section 14(b)(1)(A) of the Veterans' Job Training Act (Public Law 98-77; 29 U.S.C. 1721 note), facilitates rates of successful completion of training by veterans participating in programs of job training under that Act.

"(4) In entering into an agreement with a State for the provision of funding under section 2002A(b)(5) of this title, the Assistant Secretary of Labor for Veterans' Employment and Training personally may make exceptions to such standards to take into account local conditions and circumstances, including the employment, counseling, and training needs of the eligible veterans and eligible persons served by the office or offices to which the exception would apply.

"(b)(1) State Directors for Veterans' Employment and Training and Assistant State Directors for Veterans' Employment and Training shall regularly monitor the performance of the specialists and representatives referred to in subsection (a)(1) of this section through the application of the standards required to be prescribed by such subsection (a)(1).

"(2) A State Director for Veterans' Employment and Training, or a designee of such Director, shall submit to the head of the employment service in the State recommendations and comments in connection with each annual performance rating of a disabled veterans' outreach program specialist or local veterans' employment representative in the State.".

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 41 is amended by adding at the end the following:

"2004A. Performance of disabled veterans' outreach program specialists and local veterans' employment representatives.".

SEC. 5. WAIVER OF RESIDENCY REQUIREMENT FOR CERTAIN STATE DIRECTORS FOR VETERANS' EMPLOYMENT AND TRAINING.

Section 2003(b)(1) is amended—

(1) by inserting "(A)" after "(1)";

(2) by redesignating clauses (A) and (B) as clauses (i) and (ii), respectively;

(3) by inserting in clause (i), as redesignated by clause (2), ", except as provided in subparagraph (B) of this paragraph," after "shall"; and

(4) by adding at the end the following new subparagraph:

"(B) The Secretary, where the Secretary determines that it is necessary to consider for appointment as a State Director for Veterans' Employment and Training an eligible veteran who is an Assistant State Director for Veterans' Employment and Training and has served in that capacity for at least 2 years, may waive the requirement in subparagraph (A)(i) of this paragraph that an eligible veteran be a bona fide resident of a State for at least 2 years in order to be eligible to be assigned as a State Director for Veterans' Employment and Training. In the event of such a waiver, preference shall be given to a veteran who meets such residency requirement and is equally as qualified for the position of State Director as such Assistant State Director.".

SEC. 6. SHARING OF INFORMATION REGARDING POTENTIAL EMPLOYERS.

(a) BETWEEN THE DEPARTMENTS OF DEFENSE AND LABOR.—Section 2005 is amended—

(1) by inserting "(a)" before "All"; and

(2) by adding at the end the following new subsection:

"(b) For the purpose of assisting the Secretary and the Administrator in identifying employers with potential job training opportunities under the Veterans' Job Training Act (Public Law 98-77; 29 U.S.C. 1721 note) and otherwise in order to carry out this chapter, the Secretary of Defense shall provide to the Secretary and to the Administrator (1) not more than 30 days after the date of the enactment of this subsection, the then-current list of employers participating in the National Committee for Employer Support of the Guard and Reserve, and (2) thereafter, on the fifteenth day of each month, updated information regarding the list.".

(b) BETWEEN THE VETERANS' ADMINISTRATION AND THE DEPARTMENT OF LABOR.—(1) Section 2008 is amended—

(A) by inserting "(a)" before "In"; and

(B) by adding at the end the following new subsection:

"(b) The Administrator shall require each regional office of the Veterans' Administration to provide to appropriate employment service offices and Department of Labor offices, as designated by the Secretary, on a monthly or more frequent basis, the name and address of each employer located in the area served by such regional office that offers a program of job training which has been approved by the Administrator under section 7 of the Veterans' Job Training Act (Public Law 98-77; 29 U.S.C. 1721 note).".

(2)(A) The heading of section 2008 is amended to read as follows:

"§ 2008. Cooperation and coordination".

(B) The item relating to such section in the table of sections at the beginning of chapter 41 is amended to read as follows:

"2008. Cooperation and coordination.".

SEC. 7. RESPONSIBILITIES OF PERSONNEL.

(a) STATE AND ASSISTANT STATE DIRECTORS FOR VETERANS' EMPLOYMENT AND TRAINING.—Section 2003(c) is amended—

(1) in clause (1)—

(A) by inserting "(A) functionally supervise the provision of services to eligible veterans and eligible persons by such system and such program and their staffs, and (B)" after "(1)"; and

(B) by inserting ", including the program conducted under the Veterans' Job Training Act (Public Law 98-77; 29 U.S.C. 1721 note)" after "programs";

(2) in clause (2), by inserting "and otherwise to promote the employment of eligible veterans and eligible persons" after "opportunities";

(3) in clause (11), by striking out "and" at the end;

(4) in clause (12), by striking out the period and inserting in lieu thereof "; and"; and

(5) by adding at the end the following new clause:

"(13) not less frequently than annually, conduct an evaluation at each local employment office of the services provided to eligible veterans and eligible persons and make recommendations for corrective action as appropriate.".

(b) DISABLED VETERANS' OUTREACH PROGRAM SPECIALISTS.—Section 2003A(c) is amended—

(1) in clause (4), by inserting "(including part C of title IV of the Job Training Partnership Act (29 U.S.C. 1501 et seq.))" after "programs";

(2) in clause (6), by inserting "(including the program conducted under the Veterans' Job Training Act (Public Law 98-77; 29 U.S.C. 1721 note))" after "programs"; and

(3) by adding at the end the following new clauses:

"(9) Provision of counseling services to veterans with respect to veterans' selection

of and changes in vocations and veterans' vocational adjustment.

"(10) Provision of services as a case manager under section 14(b)(1)(A) of the Veterans' Job Training Act (Public Law 98-77; 29 U.S.C. 1721 note).".

SEC. 8. NATIONAL VETERANS' EMPLOYMENT AND TRAINING SERVICE INSTITUTE.

(a) ESTABLISHMENT OF INSTITUTE.—Chapter 41 is further amended by adding at the end the following new section:

"§ 2010A. National Veterans' Employment and Training Service Institute

"In order to provide for such training as the Secretary considers necessary and appropriate for the efficient and effective provision of employment, job-training, placement, and related services to veterans, the Secretary shall establish and make available such funds as may be necessary to operate a National Veterans' Employment and Training Service Institute for the training of disabled veterans' outreach program specialists, local veterans' employment representatives, State Directors for Veterans' Employment and Training, and Assistant State Directors for Veterans' Employment and Training, and such other personnel involved in the provision of employment, job-training, counseling, placement, or related services to veterans as the Secretary considers appropriate.".

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 41 is further amended by adding at the end the following new item:

"2010A. National Veterans' Employment and Training Service Institute.".

SEC. 9. STUDY OF UNEMPLOYMENT AMONG CERTAIN DISABLED VETERANS AND VIETNAM THEATER VETERANS.

(a) IN GENERAL.—Chapter 41 is further amended by adding at the end the following new section:

"§ 2010B. Special unemployment study

"(a) The Secretary, through the Bureau of Labor Statistics, shall conduct, on a biennial basis, studies of unemployment among special disabled veterans and among veterans who served in the Vietnam Theater of Operations during the Vietnam era and promptly report to the Congress on the results of such studies.

"(b) The first study under this section shall be completed not later than July 1, 1988.".

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 41 is amended by adding at the end the following new item:

"2010B. Special unemployment study.".

SEC. 10. SECRETARY'S COMMITTEE ON VETERANS' EMPLOYMENT.

Clause (1) of section 2010(b) is amended—

(1) by redesignating subclauses (D), (E), and (F) as subclauses (E), (F), and (G), respectively;

(2) by inserting after subclause (C) a subclause, as follows:

"(D) the Secretary of Education;"

(3) by striking out "and" at the end of subclause (F) (as so redesignated);

(4) by adding at the end the following new subclause:

"(H) the Postmaster General; and".

SEC. 11. VETERANS' JOB TRAINING ACT AMENDMENTS.

(a) EXPANSION OF ELIGIBILITY.—(1) Paragraph (1) of section 5(a) of the Veterans' Job Training Act (Public Law 98-77; 29 U.S.C. 1721 note) is amended to read as follows:

"(1) To be eligible for participation in a job training program under this Act, a veteran must—

"(A) be unemployed at the time of applying for participation in a program under this Act;

"(B)(i) have been unemployed for at least 10 of the 15 weeks immediately preceding the date of such veteran's application for participation in a program under this Act; or

"(ii)(I) have been terminated or laid off from employment as the result of a plant closing or major reduction in the number of persons employed by the veteran's prior employer, and (II) have no realistic opportunity to return to employment in the same or similar occupation in the geographical area where the veteran previously held employment; and

"(C)(i) have served in the active military, naval, or air service for a period of more than 180 days; or

"(ii)(I) have been discharged or released from the active military, naval, or air service for a service-connected disability; or (II) be entitled to compensation (or but for the receipt of retirement pay be entitled to compensation).".

(2) Section 3(3) of such Act is amended—

(A) by striking out "'Korean conflict'" and "(9)"; and

(B) by striking out "'State', and 'Vietnam era'," and "(24), and (29)" and inserting in lieu thereof "and 'State'" and "and (24)", respectively.

(b) COUNSELING.—(1) Section 14 of such Act is amended by striking out subsection (b) and inserting in lieu thereof the following:

"(b)(1) The Administrator and the Secretary shall jointly provide for—

"(A) a program under which, except as provided in paragraph (2), a disabled veteran's outreach program specialist appointed under section 2003A(a) of title 38, United States Code, is assigned as a case manager for each veteran participating in a program of job training under this Act, the veteran has an in-person interview with the case manager not later than 60 days after entering into a program of training under this Act, and periodic (not less frequent than monthly) contact is maintained with each such veteran for the purpose of (i) avoiding unnecessary termination of employment, (ii) referring the veteran to appropriate counseling, if necessary, (iii) facilitating the veteran's successful completion of such program, and (iv) following up with the employer and the veteran in order to determine the veteran's progress in the program and the outcome regarding the veteran's participation in and successful completion of the program;

"(B) a program of counseling services (to be provided pursuant to subchapter IV of chapter 3 of such title and sections 612A, 2003A, and 2204 of such title) designed to resolve difficulties that may be encountered by veterans during their training under this Act; and

"(C) a program of information services under which (i) each veteran who enters into a program of job training under this Act and each employer participating under this Act is informed of the supportive services and resources available to the veteran (I) under subparagraphs (A) and (B), (II) through Veterans' Administration counseling and career-development activities (especially, in the case of a Vietnam-era veteran, readjustment counseling services under section 612A of such title) and under part C of title IV of the Job Training Partnership Act (29 U.S.C. 1501 et seq.), and (III) through other appropriate agencies in the community, and (ii) veterans and employers are encouraged to request such services whenever appropriate.

"(2) No case manager still be assigned pursuant to paragraph (1)(A) in the case of the employees of an employer if the Secretary determines that—

"(A) the employer has an appropriate and effective employee assistance program that is available to all veterans participating in the employer's programs of job training under this Act; or

"(B) the rate of veterans' successful completion of the employer's programs of job training under this Act, either cummulatively or during the previous program year, is 60 percent or higher.

"(c) Before a veteran who voluntarily terminates from a program of job training under this Act or is involuntarily terminated from such program by the employer may be eligible to be provided with a further certificate, or renewal of certification, of eligibility for participation under this Act, such veteran must be provided by the Administrator with appropriate vocational counseling in light of the veteran's termination.".

(2) Section 7(d) of such Act is amended—

(A) by redesignating paragraph (12) as paragraph (13); and

(B) inserting after paragraph (11) the following new paragraph:

"(12) That, as applicable, the employer will provide each participating veteran with the full opportunity to participate in a personal interview pursuant to section 14(b)(1)(A) during the veteran's normal workday.".

(c) DISCONTINUANCE OF APPROVAL OF PARTICIPATION IN PROGRAMS OF EMPLOYERS WITH UNSATISFACTORY COMPLETION RATES.—Section 11 of such Act is amended—

(1) by inserting "(a)" after "SEC. 11."; and

(2) by adding at the end the following new subsection:

"(b)(1) If the Secretary, after consultation with the Administrator and in accordance with regulations which the Administrator and the Secretary shall jointly prescribe to carry out this subsection, determines that the rates of veterans' successful completion of an employer's programs of job training previously approved by the Administrator for the purposes of this Act is disproportionately low, the Administrator shall disapprove participation in such programs on the part of veterans who had not begun such participation on the date that the employer is notified of the disapproval.

"(2)(A) A disapproval under paragraph (1) shall remain in effect until such time as the Administrator determines that adequate remedial action has been taken. In determining whether the remedial actions taken by the employer are adequate to ensure future avoidance of a disproportionately low rate of successful completion, the Administrator may, except in the case of an employer which the Secretary determines meets the criteria specified in clause (A) or (B) of section 14(b)(2), consider the likely effects of such actions in combination with the likely effects of using the payment formula described in subparagraph (B) of this paragraph. If the Administrator finds that the combined effects of such actions and such use are adequate to ensure future avoidance of such a rate, the Administrator may revoke the disapproval with the revocation conditioned upon such use for a period of time that the Administrator considers appropriate under the circumstances.

"(B) The payment formula referred to in subparagraph (A) is a formula under which, subject to sections 5(c) and 8(a)(2), the amount paid to the employer on behalf of a veteran shall be—

"(i) in the case of a program of job training of 4 or more months duration—

"(I) for the first 4 months of such program, 30 percent of the product of the starting hourly rate of wages paid to the veteran by the employer (without regard to overtime or premium pay) and the number of hours worked by the veteran during such months;

"(II) for any period after the first 4 months, 50 percent of the product of the starting hourly rate of wages paid to the veteran by the employer (without regard to overtime or premium pay) and the number of hours worked by the veteran during that period; and

"(III) upon the veteran's successful completion of the program, the amount that would have been paid, above the amount that was paid, for such first 4 months pursuant to subclause (I) if the percentage specified in subclause (I) were 50 percent rather than 30 percent; and

"(ii) in the case of a program of job training of less than 4 months duration—

"(I) for the months prior to the final scheduled month of the program, 30 percent of the product of the starting hourly rate of wages paid to the veteran by the employer (without regard to overtime or premium pay) and the number of hours worked by the veteran during the months prior to such final scheduled month;

"(II) for the final scheduled month of the program, 50 percent of the product of the actual hourly rate of wages paid to the veteran by the employer (without regard to overtime or premium pay) and the number of hours worked by the veteran during that month; and

"(III) upon the veteran's successful completion of the program, the amount that would have been paid, above the amount that was paid, for the months prior to the final scheduled month of the program pursuant to subclause (I) if the percentage specified in subclause (I) were 50 percent rather than 30 percent.".

(d) AUTHORIZATION OF APPROPRIATIONS.—Section 16 of such Act is amended—

(1) by inserting "(a)" before "There";

(2) in subsection (a) (as so designated)—

(A) by inserting after the first sentence the following new sentence: "There is also authorized to be appropriated, in addition to the appropriations authorized by the preceding sentence, $60,000,000 for each of the fiscal years 1988 and 1989 for the purpose of making payments to employers under this Act."; and

(B) in the final sentence, by striking out "1989" and inserting in lieu thereof "1991"; and

(3) by adding at the end the following new subsection:

"(b) Notwithstanding any other provision of law, any funds appropriated under subsection (a) for any fiscal year which are obligated for the purpose of making payments under section 8 on behalf of a veteran (including funds so obligated which previously had been obligated for such purpose on behalf of another veteran and were thereafter deobligated) and are later deobligated shall immediately upon deobligation become available to the Administrator for obligation for such purpose. The further obligation of such funds by the Administrator for such purpose shall not be required, directly or indirectly, to be delayed in any manner by any officer or employee in the executive branch.".

(e) DEADLINES FOR VETERANS' APPLICATIONS AND ENTRY INTO TRAINING.—Section 17 of such Act is amended to read as follows:

"SEC. 17. Assistance may not be paid to an employer under this Act—

"(1) on behalf of a veteran who initially applies for a program of job training under this Act after June 30, 1989; or

"(2) for any such program which begins after December 31, 1989.".

(f) CONFORMING AMENDMENT.—Section 5(b)(3)(A) of such Act is amended by striking out "The" at the beginning of the first sentence and inserting in lieu thereof "Subject to section 14(c), the".

(g) DATA ON PARTICIPATION.—Section 15 of such Act is amended by adding at the end the following new subsection:

"(f) The Secretary shall, on a not less frequent than quarterly basis, collect from the heads of State employment services and State Directors for Veterans' Employment and Training information available to such heads and Directors, and derived from programs carried out in their respective States, with respect to the numbers of veterans who receive counseling services pursuant to section 14, who are referred to employers participating under this Act, who participate in programs of job training under this Act, and who complete such programs, and the reasons for veterans' noncompletion.".

SEC. 12. REVISIONS OF NOMENCLATURE.

(a) SECRETARY OF LABOR.—(1) Section 2001 is amended by adding at the end the following new paragraph:

"(7) The term 'Secretary' means the Secretary of Labor.".

(2) Sections 2002A, 2003 (a) and (b)(2), 2005(a) (as redesignated by the amendment made by section 6(a)(1)), 2006(a), 2007, 2008(a) (as redesignated by the amendment made by section 6(b)(1)), and 2010(b) are amended by striking out "Secretary of Labor" each place it appears except where preceded by "Assistant" and inserting in lieu thereof "Secretary".

(3) The first sentence of section 2010(b) is amended by striking out "The" and inserting in lieu thereof "Notwithstanding section 2002A(b)(1) of this title, the".

(b) ASSISTANT SECRETARY OF LABOR FOR VETERANS' EMPLOYMENT AND TRAINING.—(1) Sections 2000(2), 2002, 2002A(a) (as redesignated by section 2(a)) and 2010(b) are amended by inserting "and Training" after "Assistant Secretary of Labor for Veterans' Employment" each place it appears.

(2)(A) The heading of section 2002A is amended to read as follows:

"§ 2002A. Assistant Secretary of Labor for Veterans' Employment and Training; national programs".

(B) The item relating to such section in the table of sections at the beginning of chapter 41 is amended to read as follows:

"2002A. Assistant Secretary of Labor for Veterans' Employment and Training; national programs.".

(c) STATE AND ASSISTANT STATE DIRECTORS FOR VETERANS' EMPLOYMENT AND TRAINING.—(1) Sections 2003 and 2003A(b)(2) are amended by inserting "and Training" after "State Directors for Veterans' Employment" and "Assistant State Director for Veterans' Employment" each place those terms appear.

(2)(A) The heading of section 2003 is amended to read as follows:

"§ 2003. State and Assistant State Directors for Veterans' Employment and Training".

(B) The item relating to such section in the table of sections at the beginning of chapter 41 is amended to read as follows:

"2003. State and Assistant State Directors for Veterans' Employment and Training.".

SEC. 13. EFFECTIVE DATE.

The provisions of and amendments made by this Act shall take effect on October 1, 1987.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment in the nature of a substitute.

The committee amendment in the nature of a substitute was agreed to.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading and was read the third time.

Mr. BYRD. Mr. President, I ask unanimous consent that the Committee on Veterans Affairs be discharged from further consideration of the House companion bill, H.R. 1504, that the Senate proceed to the immediate consideration of H.R. 1504, that the Senate strike all after the enacting clause and substitute the language of S. 999, as amended.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CRANSTON. Mr. President, as chairman of the Committee on Veterans' Affairs, I rise to urge all my colleagues to support passage of S. 999—the proposed Veterans' Employment, Training and Counseling Amendments of 1987—as unanimously reported from the Committee on Veterans' Affairs on July 28, which I introduced on April 9. I was delighted to be joined on April 9 in introducing S. 999, and on April 21 in introducing the revised version of it—Amendment No. 160—by Committee members MATSUNAGA and DECONCINI. Joining later as cosponsors were committee members MITCHELL, ROCKEFELLER, GRAHAM, and THURMOND and Senators KERRY, BURDICK, and SIMON.

The bill as reported, which I will refer to as the committee bill, incorporates the provisions of amendment No. 160 and many suggestions of the witnesses at our April 30 hearing, most of which was chaired most ably by Senator ROCKEFELLER. I am very grateful to Senator ROCKEFELLER for the excellent contribution he made to the committee's consideration of this legislation.

CHAPTER 41 AMENDMENTS: VETERANS' EMPLOYMENT AND TRAINING SERVICE

Basically, chapter 41 of title 38, United States Code, provides for veterans' job and job-training counseling and placement service programs, and employment service programs for eligible veterans and certain other eligible persons, and requires that the Assistant Secretary of Labor for Veterans'

Employment and Training [ASVET] provide these services through the Veterans' Employment and Training Service [VETS] within the Department of Labor. The VETS is required to provide a maximum of employment and training opportunities to veterans, with priority given to the needs of disabled veterans and veterans of the Vietnam era. The VETS works in close cooperation with and through individual State employment agencies in order to provide these services.

A further component of the Federal-State relationship in this regard is the provision of Federal funding for DVOP's and LVER's who provide job counseling, training, and placement services to veterans.

In fiscal year 1987, the Department of Labor is funding 1,894 DVOP's at a cost of $69,450,000 and 1,379 LVER's at a cost of $56,983,000. Although the DVOP's and LVER's are fully federally-funded, the persons serving in these positions are employed by the individual State employment agencies and for the most part are located in Job Service offices throughout each State. Current law requires that in each State at least 25 percent of the DVOP's be outstationed.

In addition, SDVET's and ASDVET's in each State are appointed by, report to, and are under the administrative direction of the ASVET. The SDVET's and ASDVET's serve as the representatives of the ASVET in each State in carrying out the ASVET's responsibility to ensure that State employment agencies, through their LVER's and DVOP's, are providing services to veterans in compliance with chapter 41 of title 38, United States Code.

At our Veterans' Affairs Committee's April 30 hearing, witness afer witness stressed that, during a period of severe fiscal restraint and exceptionally keen competition for limited Federal resources, it is imperative that the Federal dollars expended for veterans' employment and training services be stretched as far as possible. Dennis K. Rhoades, director of The American Legion's National Economic Commission, Ronald W. Drach, the Disabled American Veterans' national director of employment, Dr. Robert E. David, executive director of the South Carolina Employment Security Commission, and Ronald L. Sager, the 1983 Outstanding DVOP in the United States, all testified that the best way to accomplish this with respect to veterans' employment and training programs would be to build upon the Federal-State partnership by incorporating additional sound managerial principles into the current $126.4 million nationwide program of LVER's and DVOP's—managerial principles which would promote the approaches needed in order to meet veterans' persistent training and employment needs.

Against this background, the committee bill seeks to provide a comprehensive framework for the creation of a more stable, professional DVOP/LVER work force nationwide to furnish employment referral, counseling, job-training, and related services to eligible veterans.

VETERANS' JOB TRANING ACT AMENDMENTS

The Veterans' Job Training Act [VJTA] is designed to promote training and employment opportunities for long-term jobless Vietnam-era and Korean-conflict veterans through a program of cash incentives to employers to help them defray the costs of employing and providing training to such veterans. The VJTA Program was originally established in 1983 with the enactment of the Emergency Veterans' Job Training Act, Public Law 98-77 and was extended and amended in 1984, 1985, 1986. Our committee bill would amend VJTA to authorize VJTA appropriations of $60 million for each of fiscal years 1988 and 1989 and expand the eligiblity to include veterans of all periods of service and eliminate the length-of-unemployment criterion for certain veterans, and make a number of changes designed to enhance veteran-participants' rates of successful completion of VJTA training.

PURPOSE OF COMMITTEE BILL

Mr. President, the basic purpose of the committee bill, as reported, is to improve the provision of employment, counseling, job-training, and related services and opportunities for veterans through revisions of chapter 41 of title 38, United States Code, and the Veterans' Job Training Act.

The revisions to chapter 41 that we are proposing aim for a more effective, supportive, and accountable relationship between the Department of Labor's Assistant Secretary and the State and Assistant State Directors of Veterans' Employment and Training and the Disabled Veterans' Outreach Program specialists [DVOP's] and Local Veterans' Employment Representatives [LVER's] in the State employment agencies. Our legislation is designed to improve the management of veterans' employment and training programs—specifically with respect to the planning, organizing, staffing, administering, coordinating, budgeting, reporting, and evaluating of such programs by both Federal and State officials. Most importantly, our legislation is designed to enhance the effectiveness of employment and training services furnished to veterans by providing for greater accountability and professional development for our very valuable federally funded work force of 3,275 DVOP's and LVER's across the country.

We seek to build upon the Federal-State partnership for veterans' employment and training services by incorporating sound managerial principles to accomplish the following purposes, among others:

First, creation of a stable, professional work force of 1,600 LVER's nationwide to furnish employment and training services to veterans consistently and effectively without interruption due to the recently experienced annual budget hiatus.

Second, development of performance standards for DVOPs and LVER's by the Secretary of Labor, in consultation with State employment agencies.

Third, creation of a permanent National Veterans' Employment and Training Service Institute to train DVOP's, LVER's, State and Assistant State Directors of Veterans Employment and Training and other personnel in the provision of veterans' employment, job training, counseling, placement, and other services.

Fourth, implementation of annual evaluations of local employment offices by the State Directors along with recommendations for corrective action, as appropriate.

Fifth, authorization for the Secretary of Labor to provide for upward mobility of Assistant State Directors of Veterans' Employment and Training by waiving the 2-year State residency requirement to allow an Assistant State Director with 2 years' experience to be appointed as a State Director in a State in which he or she does not meet the residency requirement, with a preference required to be given any equally qualified veteran who meets the State residency requirement.

Sixth, codification of the requirement in section 653.214 of title 20 of the Code of Federal Regulations for State Directors functionally to supervise the provision of services to veterans by State employment agency personnel.

Seventh, require the State Directors and Assistant State directors of Veterans' Employment and Training to conduct not less frequently than annually evaluations of the services at local employment offices and make recommendations for corrective action as appropriate.

With respect to the Veterans' Job Training Act [VJTA], the committee bill would authorize appropriations of $60 million for VJTA for each of fiscal years 1988 and 1989 and expanding VJTA eligibility by repealing the requirement of service during the Korean conflict or Vietnam era and unemployment for 10 of the last 15 weeks for a veteran who is unemployed as a result of a plant closing or other major employment reduction.

This program has provided over 5,200 veterans with the opportunity to gain the skills and on-job experience needed to help them break away from sustained unemployment and build

more productive lives for themselves and their families.

At the same time, I feel it is vital that we come to grips with the all-too-high noncompletion rate, and our committee bill attempts to do this by adding extensive provisions to improve the counseling services available to VJTA participants and to create a case-manager approach under which DVOP's will be trained to track and assist veterans as they progress through their training programs.

COMMITTEE BILL AS REPORTED

A major purpose of the committee bill is to seek to make more efficient and effective the relationship between individual State employment agencies and the ASVET in order to improve employment and training services for veterans by provding for greater accountability and professional development for the federally funded work force of 3,273 DVOP's and LVER's across the country and stabilizing that number at approximately 3,500.

Specifically, with respect to the Veterans' Employment and Training Service, the committee bill would:

First, require that the Secretary of Labor's administration of veterans' employment, training, and related programs in all cases—unless provided to the contrary—be through the Assistant Secretary of Labor for Veterans' Employment and Training; and expand the requirement that the Secretary coordinate and consult with the Administrator of Veterans' Affairs with respect to the implementation of VJTA and all veterans' employment, job training, and related programs.

Second, require the Secretary to assign a Regional Director for Veterans' Employment and Training to each region in which there is a Department of Labor regional office.

Third, require the Secretary (a) to make available to the States funding sufficient for 1,600 LVER positions, and related reasonable administrative expenses nationwide; (b) to allocate to each State an amount of funds sufficient for the number of LVER's that it had on January 1, 1987, plus one additional LVER, and to allocate funding for the remaining LVER positions up to 1,600 pursuant to a formula based on first, the State's veteran population, second, the number of veterans registerd at local employment offices in the State, and third, the number of full-service employment offices in the State; and (c) to allocate to each State sufficient funding for the reasonable administrative expenses associated with the assignment of the LVER's for which it receives funding.

Fourth, provide that within each State the LVER's would be assigned to local employment offices so that, as nearly as practicable, each office with at least 1,100 registrants would have a full-time LVER and one additional full-time LVER for each 1,500 additional registrants; a half-time LVER would be assigned at an office with at least 350 but less than 1,100 registrants; and at an office with fewer than 350 registrants, the local office manager would be responsible for compliance with provisions in existing law requiring priority services for veterans and priroity referral of veterans to Federal contractors.

Fifth, require that the Department of Labor's annual budget include estimates of the funding necessary for the assignment of 1,600 LVER's and related administrative expenses and for the operation of the Veterans' Employment and Training Service Institute, and data demonstrating compliance with a requirement that the Secretary approve the submission only if the proposed funding level complies with the requirement for the funding to support 1,600 LVER's and certain expenses.

Sixth, require that persons assigned after October 1, 1987, as LVER's be veterans and that preference be accorded to qualified service-connected disabled veterans, and mandate the Secretary to monitor compliance with these requirements.

Seventh, redefine the responsibilities of LVER's so as to require that their work be fully devoted to certain employment, training, and related programs for veterans and that LVER's duties include providing, or facilitating the provision of, counseling services to veterans certified as eligible for participation under VJTA.

Eighth, require the Secretary, after consultation with State employment agencies or their representatives, to prescribe, and provide for the implementation and application of, standards for the performance of DVOP's and LVER's and to monitor their activities.

Ninth, allow the ASVET personally to make an exception to the nationally prescribed performance standards to take into account local conditions and circumstances.

Tenth, require State and assistant State directors for Veterans' Employment and Training [SDVET's and ASDVET's] regularly to monitor the performance of DVOP's and LVER's through the application of performance standards; require each SDVET or designee to submit to the head of the employment service in the State recommendations and comments in connection with the employment service's annual performance rating of a DVOP or LVER in the State.

Eleventh, authorize the ASVET, where the Assistant Secretary determines it necessary, to allow an ASDVET with 2 years of experience to be considered for appointment as an SDVET by waiving the current 2-year-State-residency requirement for appointment as an SDVET but require that preference be given any equally qualified veteran who meets the State-residency requirement.

Twelfth, require the Secretary of Defense to provide to the Secretary of Labor and the Administrator of Veterans' Affairs the list of employers participating in the National Committee for Employer Support of the Guard and Reserve; and require the Administrator to require Veterans' Administration regional offices to provide to appropriate employment offices the names and addresses of employers offering approved training programs under VJTA.

Thirteenth, require SDVET's and ASDVET's to supervise functionally the provision of services to eligible veterans and eligible persons by the State employment services and their personnel, certain other Federal or federally assisted programs, and State programs, and make SDVET's and ASDVET's functionally responsible for the supervision of the registration and placement of veterans under VJTA and responsible for, in addition to engaging in job development and advancement activities, otherwise promoting the employment of eligible veterans and eligible persons in addition to their responsibilities.

Fourteenth, require SDVET's and ASDVET's to conduct, not less frequently than annually, an evaluation of the services provided to eligible veterans and eligible persons at each local employment office and make recommendations for corrective action as appropriate.

Fifteenth, require the Secretary, in determining the terms and conditions of a grant or contract under which funds are made available to a State, to take into consideration the SDVET's and ASDVET's evaluations of the performance of local employment offices and the results of the Secretary's monitoring and supervision of the distribution and use of DVOP and LVER funding.

Sixteenth, require the Secretary to establish, and make available such funds as may be necessary to operate, a National Veterans' Employment and Training Service Institute [NVETSI] for the training of DVOP's, LVER's, SDVET's, ASDVET's, and such other personnel involved in the provision of employment, job training, counseling, placement, or related services to veterans as the Secretary considers appropriate.

Seventeenth, require the Secretary to conduct a study every 2 years on unemployment among special disabled veterans and among veterans who served in the Vietnam Theater of Operations during the Vietnam era.

Eighteenth, add representatives of the Postmaster General and the Secretary of Education to the Secretary's Committee on Veterans' Employment.

VETERANS' JOB TRAINING ACT AMENDMENTS

The Veterans' Job Training Act [VJTA] is designed to promote training and employment opportunities for long-term jobless Vietnam-era and Korean-conflict veterans through a program of cash incentives to employers to help them defray the costs of employing and providing training to such veterans. The VJTA Program was originally established in 1983 with the enactment of the Emergency Veterans' Job Training Act, Public Law 98-77, and was extended and amended in 1984, 1985, and 1986. I am delighted to have been the coauthor of the 1983 law and the Senate sponsor of the succeeding amendments and extensions. The committee bill contains provisions to amend the VJTA, which would:

First, expand VJTA eligibility (a) eliminate the requirement for service during the Korean conflict or Vietnam era, and (b) to eliminate the requirement of unemployment for at least 10 of the 15 weeks immediately preceding the date of application for a veteran who is unemployed as the result of a plant closing or other major employment reduction and who has no realistic opportunity to return to employment in the same or similar occupation in the same geographic area.

Second, generally require the Secretary and Administrator to provide for case-managers for VJTA trainees by assigning DVOP's as case managers for VJTA trainees and requiring them to conduct a personal interview with each VJTA trainee within 60 days after the initiation of training—employers would be required to agree to provide their VJTA trainees with adequate opportunity during work time to participate—and to make appropriate contact with the trainee not less than monthly thereafter. The purpose of case management would be to avoid unnecessary termination of employment, to make referrals to appropriate counseling, to facilitate successful completion of training, and to follow-up to determine the outcome of the veteran's participation in VJTA. Case managers would not be assigned for trainees placed with an employer which the Secretary determines has an appropriate and effective employee assistance program available to its VJTA trainees, or where the rate of veterans' successful completion of an employer's VJTA programs is 60 percent or higher, either cumulatively or during the previous program year.

Third, require appropriate VA counseling before the Administrator may issue a new or renewed VJTA certificate of eligibility to a veteran who failed to complete a VJTA job training program.

Fourth, require the Administrator and Secretary to expand counseling and information services for VJTA trainees; and require the Administrator, upon the Secretary's determination that an employer has a disproportionately low VJTA completion rate, to disapprove new enrollments of veterans in the employer's VJTA programs until the Administrator determines that successful remedial action has been taken; and authorize the Administrator to condition the reinstatement of approval on the use of a modified payment formula under which payments to the employer for the initial months—up to the first 4—would be reduced from 50 percent to 30 percent of the veteran's starting wage and the amount so withheld would be paid to the employer upon the veteran's completion of the job training program.

Fifth, authorize an appropriation of $60 million for each of fiscal years 1988 and 1989 for VJTA, and extend the deadlines for eligible veterans to apply for, and to enter into, VJTA training by approximately 1½ years.

Sixth, require the Secretary to collect, at least quarterly, data from the States with respect to the numbers of veterans who receive counseling services in connection with VJTA training, are referred to VJTA employers, participate in job training under VJTA, and complete such training and data with respect to the reasons for noncompletions.

Seventh, require that, when VJTA funds which have been obligated in connection with a veteran's entry into a VJTA job training program are deobligated because the veteran leaves the training program before it is completed, the deobligated funds would automatically become available to the VA for reobligation for payments under VJTA.

DESCRIPTION OF PROVISIONS IN THE COMMITTEE BILL

Mr. President, there are 10 substantive sections in our comprehensive committee bill, and, due to the depth and breadth of the scope of this bill, I think it important that I describe in some detail what the bill will do if enacted.

ADMINISTRATION OF EMPLOYMENT AND TRAINING PROGRAM

Section 2 of the committee bill would first, consolidate in section 2002A of title 38 various provisions of chapter 41 relating to the responsibilities of the Secretary of Labor and Assistant Secretary of Labor for Veterans' Employment and Training [ASVET]; and second, expressly require that, except as otherwise specifically provided, the Secretary must administer through the ASVET all veterans' employment and training programs under the Secretary's jurisdiction and all of the provisions of chapter 41.

The existing requirement—in section 2009(a)(3)—for the Secretary to ensure maximum effectiveness and efficiency in providing services and assistance to eligible veterans by coordinating and consulting with the Administrator with respect to various programs administered by the VA would be recodified in section 2002A and expanded to encompass VJTA. The committee notes that such coordination between the Secretary and the Administrator is essential to the success of the VJTA given that currently the VA is responsible generally for: First, determining veteran eligibility for the program; second, approving participating employers' programs of job training; third, making payments to employers; and fourth, conducting compliance surveys of employers.

The Department of Labor [DOL] is generally responsible for: First, counseling; second, coordination with business and industry; and third, promoting the development of employment and job training opportunities for veterans through employers. Both the VA and the DOL are responsible for conducting an outreach and information program to inform veterans about the employment and training opportunities under VJTA.

Current-law provisions—in section 2003A of title 38—requiring funds to be made available for the salaries and expenses of DVOP's would be recodified in section 2002A and combined with similar, new provisions requiring funds to be made available for the salaries and expenses of LVER's in accordance with the proposed funding formula for LVER support set forth in the amendment proposed in section 3 of the committee bill. A requirement for the provision of funding for DVOP's and LVER's attendance at the National Veterans' Employment and Training Institute would also be made explicit in section 2002A.

The existing provisions—in section 2003A(a)—requiring the Secretary—in effect the ASVET by virtue of the requirement in present section 2009(a)(1) for the Secretary to act through the ASVET—to monitor and supervise the distribution and use of DVOP funding and providing that the distribution of DVOP funding shall not be governed by law or regulations other than the pertinent chapter 41 provisions would also be recodified in section 2002A and expanded to cover LVER's.

Similarly, a provision requiring the Secretary to monitor the appointments of DVOP's and to ensure compliance with provisions requiring preference for certain disabled veterans, would be recodified in section 2002A and, in conjunction with a new provision requiring preference for service-connected disabled veterans in the assignment of LVER's, expanded to cover the assignments of LVER's.

Mr. President, in a provision adding significantly to the accountability of the Secretary for employment programs, the committee bill would re-

quire the Secretary, in determining the conditions of a grant or contract under which funds are made available in a State, to take into account the evaluations of local employment offices in the State conducted by SDVET's and ASDVET's pursuant to section 7 of the committee bill. I note that, at our committee's April 30 hearing, every major veterans' service organization stressed the need for improved monitoring of the furnishing of veterans' employment and training services and for overall accountability by the States to DOL. To this end, the committee has added an additional tool by which the Secretary can require accountability—contract management.

The committee bill would further require the Secretary to employ and assign to each region for which the Secretary operates a regional office a representative of the Veterans' Employment and Training Service to serve as Regional Director for Veterans' Employment and Training [RDVET].

Over the last several years, the number of RDVET's has been reduced to seven. The number of DOL regional offices has remained at 10, leaving only VETS with a truncated regional structure among the Department of Labor major programs.

The need for a strong regional VETS structure would be greater under the committee bill than it is under current law. That is because one of the goals of the committee bill is to increase the accountability of State employment agencies—and their federally funded DVOP's and LVER's—in providing mandated services to veterans. A full complement of regional directors would significantly assist the Assistant Secretary and the small national staff in monitoring and enforcing compliance with the new performance standards and functional requirements proposed in the committee bill.

I want to stress that this provision would require only parity, not special treatment, for veterans' programs. In any case in which the Secretary closes an entire regional office, the position of RDVET could be eliminated for that region. However, the Secretary would be required to appoint RDVET's to serve in all 10 regions which now or in the future have Department of Labor regional offices without RDVET's.

LOCAL VETERANS' EMPLOYMENT REPRESENTATIVES

Mr. President, section 3 of the committee bill would:

First, require the Secretary of Labor to make available to the States funds sufficient for 1,600 LVER positions nationwide and associated administrative expenses, to allocate to each State the number of LVER's that it had on January 1, 1987, plus one additional LVER, and to allocate funding for the remaining LVER positions up to 1,600 pursuant to a new funding formula;

Second, require the head of a States employment service to assign LVER's to local employment offices so that each office with at least 1,100 veteran-registrants would have a full-time LVER and one additional full-time LVER for each 1,500 registrants over the initial 1,100 and each local employment office with at least 350 but less than 1,100 veteran-registrants would have one half-time LVER;

Third, require the local employment office manager to be responsible for ensuring compliance with the provisions of title 38 providing for priority services for veterans and priority referral of veterans to Federal contractors;

Fourth, add a definition of registrants for services;

Fifth, require that each LVER assigned after September 30, 1987, be a veteran and that preference be given to qualified service-connected disabled veterans;

Sixth, add to the statutory duties of LVER's the provision, or facilitating the provision, of counseling to veterans certified for participation in job training under VJTA;

Seventh, require the Secretary to include in the Department of Labor's annual budget submission to the Congress the amounts necessary for the support of LVER's pursuant to the new funding formula;

Eighth, expand the existing requirement for a separate listing in the budget of the proposed number, by State, of DVOP's to include also a separate listing, by State, of LVER's and information demonstrating that the submission complies with the new LVER funding formula provision; and

Ninth, specify that the annual report to the Congress on the success of the Department of Labor and its affiliated employment services will be due on February 1 of each year, and expand the report's scope.

LVER FUNDING

The basic intent of this provision is the creation of a professional work force of LVER's nationwide to furnish employment and training services to veterans consistently and effectively without disruptions due to budget reduction proposals, such as have been proposed in recent years. A stable work force—in this case of 1,600 LVER's—would allow the Secretary to count on year-to-year stability in the staff which furnishes services to veterans and enhance the Secretary's ability to carry out program planning.

Mr. President, Dr. Robert E. David, executive director of the South Carolina Employment Security Commission—and also chairman of the Veterans' Affairs Committee, Interstate Conference of Employment Security Agencies, Inc.—testified in strong support of the steady workforce of LVER's, our committee's April 30 hearing:

> The best feature in the proposal . . . is the guarantee that adequate staff will be provided with some degree of stability. That, Mr. Chairman, is a problem that has afflicted the entire employment security system in recent years—budgets being yo-yo-ed up and down without regard to workload or needs. If this bill can bring stability to the staffing of the Employment Service for veterans programs, then you will have done the veteran, the system, and the nation a very great service. (Emphasis in original.)

The committee bill as introduced proposed a formula that would have required one LVER for each local employment office at which 1,000 veterans were registered during the 12-month period ending on the most recent June 30 or which has a service area in which 5,000 veterans reside. One additional LVER would have been required for each additional 1,500 veterans registered or 5,000 veterans residing in the service area. At the committee's April 30, 1987, hearing, the proposal to establish a statutory funding formula based on both the number of veteran registrants and veteran population received support from all seven veterans service organizations giving testimony. The statement of Dennis K. Rhoades, director of the National Economic Commission of the American Legion, is representative of the support for such a provision:

> We are also pleased to note that S. 999 includes a provision for an additional LVER in a local office for every 1,500 applicants above the 1,000 which mandate full-time status. . . . Anyone who has ever visited in a local employment office in a large city or high unemployment area recognizes that the workload of a conscientious LVER is overwhelming, and that providing each veteran applicant who visits and/or registers in that office with high quality service is nearly impossible. Moreover, it is apparent when one reviews the level of services in a large employment office, the veterans are, as a general rule, underserved. We believe that the additional LVER will greatly alleviate that problem.

Our committee changed the LVER-allocation formula for several reasons: First, to achieve balance, that is, so that the allocation of the LVER work force among the States would take into account the different factors which affect workload: number of veterans, number of registrants, and number of local offices; second, to achieve greater equity, that is, so that the basic formula would provide that each State would receive at least one LVER to help offset the overall reductions in LVER' over the past several years; and third, to achieve continuity, that is, so that the basic, codified formula for 1,600 LVER's would not be subject to annual fluctuation and uncertainty as a result of the budget process that could endanger services to veterans.

This testimony noted above contributed substantially to the provision

adopted by the committee. Under the committee bill, each State—the District of Columbia, Puerto Rico, and the Virgin Islands each being considered a State—would receive funding sufficient to support the number of LVER's which were assigned to it on January 1, 1987—1,379 LVER's in all the States according to the Department of Labor, or an average of 26 per State. In addition, each State would receive one additional LVER for a total of 1,432 LVER's or any average of 27 per State.

Finally, each State would further receive funding to support a percentage of the difference between 1,432 LVER's and 1,600 LVER's, or 168 LVER's, according to a formula giving equal weight to: First, the percentage of all veterans residing in the United States who reside in the State; second, the percentage of the total of all eligible veterans and eligible persons registered for assistance with local employment offices in the United States who are registered for assistance with local employment offices in the State; and third, the percentage of all full-service employment offices in the State. In addition, the committee bill would require that the States also be provided with funds sufficient to cover the administrative expenses associated with the assignment of the number of LVER's allocated to the State under the foregoing formula.

ALLOCATION AND HIRING OF LVER'S

Under the committee bill, LVER's allocated to each State would be assigned to local employment offices within the State in accordance with the various formulas I outlined earlier.

Persons assigned as LVER's after September 30, 1987, would be required to be veterans and preference in hiring would be given to qualified service-connected disabled veterans. I wish to make clear that this provision would not affect current LVER's who are not veterans. A similar requirement already exists, in section 2003A(a) of title 38, with respect to DVOP's and appears to be working very well. The committee views this provision for LVER's as still another opportunity for State employment agencies "to lead by example", as they have by hiring disabled veterans as DVOP's.

The technical revisions in the bill relating to the DVOP disabled veteran hiring preference are not intended in any way to change the structure of, but only to codify, the way that program has been implemented—that preference would be given when there are two qualified candidates for equal merit.

DUTIES OF LVERS

The committee bill would require that the duties of LVER's be fully devoted to discharging, at the local level, the employment, training, and associated duties relating to the duties and functions of SDVET's and ASDVETS. The committee is optimistic that clear language requiring LVER's to serve veterans exclusively will help eliminate any unintentional or deliberate misuse of the time of LVER's. I also wish to make clear here that our committee's intent is not to suggest that only LVER's and DVOP's should provide employment and training services to veterans. According to the Department of Labor, over half of the services provided to veterans by State employment agencies are provided by personnel other than DVOP's and LVER's. We note with approval the conscientious work of State employment agency personnel in this area.

The committee bill requirement that the duties of LVER's include providing, or facilitating the provision of, counseling to veterans certified for participation in job training under VJTA is designed to improve the current 60 percent noncompletion rate under VJTA. I note in Assistant Secretary Shasteen's testimony that he believes LVER's—and DVOP's—can provide this service and that he has directed that such a counseling module be developed at the National Veterans Training Institute in Denver, CO, which trains LVER's and DVOP's.

BUDGETING FOR LVER'S

The committee bill would amend section 2006(a) of title 38 to require that the Secretary include in the Department of Labor's annual budget: First, the estimated funding needed for the assignment and support of 1,600 LVER's and the associated administrative expenses; second, listing data, by State, of LVER's; and third, information demonstrating the compliance of the budget submission with the requirement that the Secretary approve the submission only if the proposed funding level is in compliance with the funding formula for LVER's.

This provision, which replicates for the LVER Program the language currently in section 2006 with respect to budgeting for the DVOP Program, is designed to help achieve compliance with the proposed funding formula for LVER's in the committee bill, thus enhancing the continuity of employment and training services for veterans and helping bring stability to the LVER work force.

PERFORMANCE STANDARDS FOR LVER'S AND DVOP'S

Mr. President, section 4 of the committee bill would add to chapter 41 of title 38 a new section 2004A, entitled "Performance of local veterans' employment representatives and disabled veterans' outreach program specialists," which would: First, require the ASVET, after consultation with State employment agencies or their representatives, to prescribe—and provide for the implementation and application of—standards for the performance of DVOP's and LVER's and to monitor their activities; second, allow the ASVET personally to make an exception to these performance standards to take into account local conditions and circumstances; third, require SDVET's and ASDVET's regularly to monitor the performance of DVOP's and LVER's through the application of these performance standards; and fourth, require each SDVET or designee to submit to the head of the State employment service recommendations and comments in connection with each annual performance rating of a DVOP or LVER in the State.

S. 999 as introduced and as proposed to be amended by amendment No. 160 contained a provision to add this proposed new section 2004A. However, a number of changes were made in the proposed new section in response to concerns raised at the committee's April 30 hearing. Thus, in order to promote participation, cooperation, and coordination in the development of performance standards by those professional persons in the States who would be held accountable for meeting the standards, our committee added provisions to require the ASVET to consult with State employment agencies or their responsibilities before prescribing the standards and to allow an ASVET personally to make an exception to the prescribed performance standards to take into account local conditions and circumstances such as differing local economies.

Mr. President, also in response to concerns voiced at the committee hearing, the committee bill includes a provision to require each SDVET or designee to submit to the head of the States employment agency recommendations and comments in connection with—and I stress those words "in connection with"—each annual performance rating of a DVOP or LVER in the State instead of the proposed requirement in S. 999 as introduced for the SDVET or ASDVET to participate formally in the ratings. It is the intent of the committee to leave to the ASVET the formulation of the general guidelines with respect to such matters in such a way as to seek to avoid conflict with the general personnel procedures of the various state merit systems under which LVER's and DVOP's are employed.

Our committee views performance standards as a basic tenet of sound public management and intends that they be designed to first, assure that high-quality employment and training services are furnished through DVOP's and LVER's; and second, provide a basis for facilitating, developing, and maintaining high standards of professionalism for the DVOP and LVER programs, for which the Department of Labor expends a total of more than $125 million annually. I note that at our April 30 hearing the ASVET stated that he supports the

development and implementation of specific standards of performance for DVOP staff and LVER staff, and, upon enactment of this provision, proposes to develop prototype standards and tailor them to meet each States merit system requirements through negotiations with SDVET's.

WAIVER OF SDVET RESIDENCY REQUIREMENT IN CERTAIN CASES

Mr. President, section 5 of the committee bill would provide that the ASVET, upon determining it to be necessary, may allow an assistant SDVET with 2 years of experience to be considered for an appointment as a SDVET, by waiving the current 2-year State residency requirement in section 2003(b)(1) of title 38 for appointment as a SDVET. In the event of such a waiver, the committee bill includes a provision proposed by the distinguished Senator from South Carolina, Senator THURMOND, to require that preference be given to a veteran who meets the residency requirement and is equally as qualified for the SDVET position as the ASDVET candidate.

SHARING OF INFORMATION REGARDING EMPLOYERS

Mr. President, section 6 of the committee bill would require the Secretary of Defense to provide to the Secretary of Labor and the Administrator the list of employers participating in the National Committee for Employer Support of the Guard and Reserve [NCESGR] and require each VA regional office to provide to appropriate employment service and Department of Labor offices the names and addresses of VJTA employers in the area served by the VA regional office.

These provisions are designed to help facilitate VA, Labor Department, and employment service efforts to encourage greater employer awareness of, and participation in, the VJTA Program.

With respect to the requirement for informing VA and the Labor Department about NCESGR participants, I note that NCESGR maintains a listing of approximately 350,000 employers who have demonstrated an interest in and commitment to assisting citizen soldiers, many of whom have veteran status, as well as a willingness to participate in Government-sponsored private-sector programs. Our committee believes that these employers could be a rich potential source of job-training for veterans under VJTA. I also note that the usage of the NCESGR list by VA regional offices and local employment offices should help expand the universe of employers participating in VJTA. Such an expansion would appear desirable given that the universe of veterans eligible for VJTA would be opened to veterans of all periods of service under the committee bill.

RESPONSIBILITIES OF PERSONNEL

Mr. President, section 7 of the committee bill would:

First, require SDVET's and ASDVET's to supervise functionally the provision of services to eligible veterans and eligible persons by the State employment services and the coordination of certain other Federal or federally assisted programs, and State programs;

Second, made SDVET's and ASDVET's functionally responsible for the supervision of the registration and placement of veterans under VJTA and responsible for otherwise promoting the employment of eligible veterans and eligible persons;

Third, require SDVET's and ASDVET's to conduct, not less frequently than annually, evaluations of the services provided to eligible veterans and eligible persons at each local employment office and made recommendations for corrective action as appropriate;

Fourth, require the Secretary of Labor, in determining the terms and conditions of a grant or contract under which funds are made available to a State, to take into consideration the SDVET's and ASDVET's evaluations of the performance of local employment offices; and

Fifth, require DVOP's to provide grantees under part C of title IV of the Job Training Partnership Act with assistance in furnishing services to veterans, consult and coordinate with representatives of the VJTA Program, provide counseling services to veterans with respect to their selection of and changes in vocations and their vocational adjustment, and provide services as case managers for veterans participating in VJTA.

FUNCTIONAL SUPERVISION OF STATE SERVICES

With respect to the proposed requirement that SDVET's and ASDVET's functionally supervise the provision of services to veterans by State public employment service systems and by other employment or training programs, the current regulations—20 CFR 653.214, entitled "Assignment and Role of State Veterans' Employment Representatives"—already require such supervision with respect to LVER's. Thus, the effect of the committee bill in practice would be to expand the concept of functional supervision to encompass the provision of services to veterans by DVOP's and other local employment office service providers. Such services incude registration, interviewing, counseling, testing, referral to supportive services, job development, and job/training referral.

Mr. President, this approach would not impose a dual management structure on the LVER or DVOP Program. The committee intends functional supervision by SDVET's to be distinct from line supervision by local employment office managers. Functional supervision by SDVET's/ASDVET's, as is currently required in the Labor Department regulations (20 CFR section 653.214):

consist[s] of assisting state agency personnel in carrying out services to veterans and eligible persons and evaluating their performance. Functional supervision shall entail providing technical assistance, making suggestions for improvement of services, helping to plan progams and projects, checking for compliance with ETA regulations affecting veterans, helping to correct errors by working with local and state staffs, analyzing work as it affects veterans and eligible persons, training new state agency employees and providing refresher courses for state agency staff, bringing matters which require corrective action to the attention of those state agency personnel who have authority over policy, procedures and staff. Functional supervision does not authorize a SDVET or ASDVET to hire, fire, discipline or issue directives to state agency employees. Nor does it authorize an SADVET or ASDVET to make regulations, change procedure or establish policies for the state agency without specific authority from the state agency.

Mr. President, in our committee's view, the assignment of functional responsibility should have several positive impacts: First, it should make clearer the authority and responsibility of both the State agency and SDVET's and ASDVET's; second, it should facilitate the development of more nationally uniform position descriptions, and reduce the potential for misuse of these positions by some State agencies; and third, it should promote a more effective and accountable relationship between the ASVET and the State employment agencies through which DVOP's and LVER's are employed.

NEW DUTIES

SDVET's and ASDVET's functional responsibility for supervising the registration and placement of veterans would be made expressly applicable to the VJTA Program, and their duty to engage in certain job-development and job-advancement activities would be expanded to include the general responsibility "otherwise to promote the employment of eligible veterans and eligible persons."

In response to concerns raised at the committee's hearing regarding the 60-percent noncompletion rate among veterans who have participated in training under VJTA, our committee has added a provision to make SDVET's and ASDVET's functionally responsible for the supervision of the registration of eligible veterans and eligible persons in local employment offices for suitable types of employment and training and counseling and placement of persons in the VJTA Program. We believe that the implementation of the proposed case-manager approach under VJTA and the additional counseling of VJTA trainees by DVOP's

and LVER's—coupled with greater attention paid to the provision of services as a result of a statutory requirement for functional supervision by SDVET's—should have a positive impact on the VJTA Program's success rate.

EVALUATIONS OF LOCAL EMPLOYMENT OFFICES

The committee bill would generally codify the current regulatory requirement under 20 CFR 653.214(d)(11) for the ASVET to "review the performance of large local offices at least once each fiscal year on a formal, comprehensive, indepth basis, and . . . periodically review smaller local offices which evidence problems in providing services to veterans and eligible persons until the problems are resolved." Under the committee bill, SDVET's/ASDVET's would be required to conduct annual or more frequent evaluations of the services provided to veterans and other eligible persons by each local employment office in their State and make recommendations for corrective action as appropriate. In the committee's view, such evaluations should determine the extent to which local employment offices are, through DVOP's, LVER's, and other staff, providing quality registration, interviewing, counseling, testing and assessment, supportive-services referral, job development, and job and training referral services to veterans and other eligible persons.

Mr. President, the committee bill also includes a provision requiring the ASVET, in determining the terms and conditions under which funds are made available to a State, to take into consideration—as is currently done in the vast majority of States at present—the SDVET's and ASDVET's evaluations of the performance of local employment offices.

Finally, among other new duties, DVOP's would also be required to counsel veterans on their selection of and changes in vocations and their vocational adjustment. Under a related VJTA amendment—in section 10(b) of the committee bill—aimed at improving training-program completion rates under VJTA, DVOP's would assume various counseling functions and would also serve as case managers for veterans participating in VJTA. Development of the counseling module at the National Veterans' Employment and Training Service Institute, and provision of such training to DVOP's should help them fulfill their duties as case managers for veterans participating in VJTA.

NATIONAL VETERANS EMPLOYMENT AND TRAINING SERVICE INSTITUTE

Mr. President, section 8 of the committee bill would amend chapter 41 of title 38 to add a new section 2010A requiring the ASVET to establish and make available such funds as may be necessary to operate a National Veterans Employment and Training Service Institute (NVETSI) for the training of DVOP's, LEVER's, SDVET's, ASDVET's, and such other personnel involved in the provision of employment, job training, counseling, placement, or related services to veterans as the ASVET considers appropriate.

The incumbent ASVET, Donald E. Shasteen, created the National Veterans' Training Institute administratively in September 1986; the first training session started on January 11, 1987. As of May 2, 1987, there had been 16 sessions of the Institute, attended by a total of 384 persons. Our committee views the training provided by the Institute as an important and worthwhile investment in the 3,300 DVOP's and LVER's who furnish employment and training service to veterans on a daily basis.

At present, the Institute provides week-long training programs designed to improve the skills of LVER's, DVOP's, and others in providing employment and training services to veterans. The goal of the Institute is to enhance the quality of services provided to veterans by the Department of Labor through its affiliated State employment agencies. There are 24 participants in each training class, with a minimum of 80 percent being LVER's and DVOP's. The other participants are local employment office managers and other State employment agency and U.S. Department of Labor staff.

The Institute is currently funded under a grant from the Veterans' Employment and Training Service to the Colorado Department of Labor and Employment [CDLE]. The operational repsonsibilities for the grant were subcontracted by the CDLE to the University of Colorado at Denver. The committee contemplates that the funding for the Institute will continue to be through the unemployment trust fund.

SPECIAL UNEMPLOYMENT STUDY

Mr. President, section 9 of the committee bill would amend chapter 41 of title 38 to add a new section 2010B requiring the ASVET, through the Bureau of Labor Statistics to conduct, every 2 years, a study of unemployment among special disabled veterans—that is, those who either (1) have a service-connected disability rated at 30 percent or more, (2) have a service-connected disability rated at 10 or 20 percent and have been determined for purposes of the VA's program of vocational rehabilitation for service-connected disabled veterans to have a serious employment handicap, or (3) were discharged or released from active duty because of a service-connected disability—and veterans who served in the Vietnam theater during the Vietnam conflict. The first study would be required to be completed by July 1, 1988.

The rates of joblessness among service-connected disabled veterans and those who served in the Vietnam theater have been a continuing concern of the committee and one that the committee has made efforts to address through this and prior legislation developed to help meet the employment and job-training needs of veterans.

SECRETARY OF LABOR'S COMMITTEE ON VETERANS' EMPLOYMENT

Mr. President, section 10 of the committee bill would add representatives of the Postmaster General and the Secretary of Education to the Secretary of Labor's Committee on Veterans' Employment [CVE].

The CVE, established under section 2010 of title 38, United States Code, meets quarterly. Its purpose is to bring to the attention of the Secretary problems and issues relating to veterans' employment. Under section 2010, the committee is chaired by the Secretary of Labor and includes representatives of the Administrator of Veterans' Affairs, the Secretary of Defense, the Secretary of Health and Human Services, the Director of the Office of Personnel Management, the chairman of the Equal Employment Opportunity Commission, and the Administrator of the Small Business Administration.

The Postal Service—with 331,830 veterans in its work force—is the second largest employer of veterans in the United States. The Department of Education, through its Veterans' Education Outreach Program and its Offices of Postsecondary Education and Vocational and Adult Education, implements education policies and programs which can benefit veterans' job readiness. Therefore, the committee believes that having the Postmaster General and the Secretary of Education represented on the CVE could contribute to the committee's effectiveness and success in advising the Secretary of Labor on veterans' employment issues.

VETERANS' JOB TRAINING ACT (VJTA)

Mr. President, section 11 of the committee bill contains provisions which would authorize appropriations of $60 million for each of fiscal years 1988 and 1989 for the Veterans' Job Training Act [VJTA], extend the deadlines governing application and entry into a VJTA training program, and enhance the effectiveness of this job training program by providing for enhanced counseling services and making certain other changes. In the 1983 Emergency VJTA, eligibility for a job-training program was originally provided to unemployed veterans who had served during the Korean conflict or Vietnam era and were unemployed for 15 out of the 20 weeks preceding their application and who either had more than 180 days active service or were discharged or released from service for a disability or were entitled to VA service-connected disability compensation. That unemployment period was re-

duced to 10 of 15 weeks by Public Law 99-238.

On March 18, 1987, the committee reported S. 477, the proposed "Homeless Veterans' Assistance Act of 1987" including in section 106 a provision to extend through fiscal years 1987 and 1988 the unused authorization of fiscal year 1986 appropriation of $30 million, postpone by 6 months the deadlines for veterans to apply for and to enter into training, and delete for unemployed Korean-conflict and Vietnam-era veterans who are homeless the length-of-unemployment criterion for eligibility under this program.

The bill was passed by the Senate on March 31. The extensions of authorizations of appropriations and of the deadlines were passed by the Senate a second time, on April 6, 1987, in section 907 of H.R. 558, the proposed "Urgent Relief for the Homeless Act," and incorporated in section 901 of the conference report (H. Rept. No. 100-174) on H.R. 558. On June 27, the Senate and on June 30 the House agreed to the conference report, and on July 22 the measure was signed into law as Public Law 100-77.

In the Supplemental Appropriations Act for fiscal year 1987 which was signed into law on July 11 as Public Law 100-71, Congress provided a $30 million supplemental appropriation for VJTA.

EXTENSIONS OF AUTHORIZATION OF APPROPRIATIONS AND PARTICIPATION DEADLINES

VJTA has provided nearly 52,000 veterans with the opportunity to gain the skills and on-the-job experience needed to help them break away from sustained unemployment and build more productive lives for themselves and their families. In order to provide for the continuation of this job training program, the committee bill would authorize appropriations of $60 million for each of fiscal years 1988 and 1989 for VJTA. Funding at this level would enable approximately 40,000 additional veterans to participate in VJTA job training programs over the next 2 fiscal years. In addition, the deadlines by which eligible veterans must apply and enter into a job training program under VJTA would be extended from December 31, 1987, to June 30, 1989, and from June 30, 1988, to December 31, 1989, respectively.

EXPANSION OF ELIGIBILITY

Under current law, VJTA eligibility is limited to unemployed veterans with service during the Korean conflict (June 27, 1950, through January 31, 1955) or Vietnam era (August 5, 1964, through May 7, 1975) who have been unemployed at least 10 of the 15 weeks preceding their application. Eligibility is further limited to those who either served on active duty for more than 180 days or were discharged or released for a service-connected disability or are entitled to VA service-connected disability compensation or would be so entitled if not receiving retirement pay.

The committee bill would eliminate the eligibility criterion requiring service during the Korean conflict or Vietnam era. This would open up eligibility to veterans of all periods of service, including most significantly from the standpoint of those who would be helped by the expansion, post-Vietnam-era veterans, who number 2,366,000 and veterans with service during the period between the Korean conflict and the Vietnam era, who number 2,996,000. Making post-Vietnam era veterans eligible for VJTA could be an especially valuable tool for helping their readjustment to civilian life, by providing them an opportunity to gain the skills and training needed to compete in the civilian labor force. There are over 18,000 recently separated veterans who are receiving unemployment compensation, and the committee believes that VJTA would be available to assist them in finding suitable training and employment if they remain unemployed more than 10 weeks following their separation from active duty.

Mr. President, our committee is also concerned by the disproportionately high number of dislocated workers who are veterans. According to the Bureau of Labor Statistics, although veterans make up approximately 13 percent of the civilian work force, as a group they comprise an estimated 26 percent of the population of dislocated workers. In order to help address this serious problem, the committee bill would eliminate the 10-out-15 week unemployment criterion for those veterans who have lost their jobs as a result of a plant closure or massive worker lay-offs and who have no realistic opportunity to return to employment in the same occupation in the geographical area in which the veteran had been employed.

IMPROVED COUNSELING SERVICES

The VJTA Program is directed toward assisting veterans who have been out of the economic mainstream for a substantial period. Since many of the veterans who enter into training may thus not posses the skills and experience needed to succeed in the workplace, the committee has designed a number of VJTA and title 38 amendments to increase counseling services for trainees in order to help them resolve problems encountered in their training programs or that otherwise jeopardized their progress. Virtually all of the witnesses at the April 30 hearing agreed that expanded counseling services for veterans in training programs is essential to successful efforts to improve program performance.

The committee bill thus includes in section 11 a number of provisions to improve these counseling services. First, the existing requirements for the Secretary of Labor to provide for counseling and information services would be revised to make such services the joint responsibility of the Administrator and the Secretary, thus enlarging the VA's involvement and responsibility in this area. The Administrator would be responsible for providing information and counseling to trainees through the VA's programs of readjustment counseling, vocational rehabilitation counseling, and career development counseling.

Second, as part of the counseling program, each veteran, except as discussed below, would be assigned a case manager, who would be a DVOP. The case manager would be required to make face-to-face contact with the veteran within the first 60 days of training and some form of contact—the precise nature of which would be left to administrative discretion—on at least a monthly basis thereafter until the veteran's training is concluded. Approval of a training program would be conditioned on the employer's agreement to allow the participating veteran the opportunity to have the initial interview with the case manager during normal work hours.

Mr. President, under the committee bill, the purposes of the case-manager services would be to avoid unnecessary terminations; to refer veteran's for appropriate counseling, if necessary; to facilitate the veterans' successful completion of the training program; and, in conjunction with followup contacts with the employer, to determine the veteran's progress of the veteran's participation and whether or not the veteran successfully completed the program.

When appropriate, the case manager would refer the veteran to additional counseling services, including those available through the VA's program of veterans' outreach services, the VA's Vet Center Program of readjustment counseling for Vietnam-era veterans, the VA's program of rehabilitation counseling, the VA's program of career counseling, and the counseling services available through DVOP's and LVER's.

The committee notes that, under new section 2004A(a)(3), performance standards for a DVOP would be required to measure the extent to which the DVOP, in serving as a case manager, facilitates the rates of veterans' successful completion of VJTA training programs. The committee believes that the personal contact and professional accountability thus built into the case-manager approach, together with the inherent strengths of case management, would help avoid unnecessary termination of trainees and facilitate their successful completion of training programs.

In order to target resources most effectively, our committee bill would

provide that when the Secretary determines that an employer is already providing an appropriate and effective employer assistance program or where there is at least a 60-percent rate of completion among veterans, either cumulatively or during the previous program year, in an employer's VJTA job-training program, the case-manager requirement would not apply.

Third, in the case of a veteran who does not complete a VJTA training program, either on a voluntary or involuntary basis, the VA would be required to provide that veteran with vocational counseling before certifying the veteran's eligibility for participation in another VJTA program. The committee believes that such counseling would provide both the veteran and the VA with a clearer picture of the veteran's job-training needs, thereby helping to ensure a better, more appropriate match with any future training program.

EMPLOYER ACCOUNTABILITY

Our committee believes that VJTA has generally been a successful partnership between employers and the Federal Government. At the same time, a continuing priority of the committee is to improve program performance and cost-effectiveness. In this regard, the committee notes with concern the finding of the Centaur report that approximately 25 percent of the veterans who drop out of VJTA training do so because they are unsatisfied with their training program. In an effort to provide for greater employer accountability in this area, the committee bill includes a requirement that, in cases where the Secretary determines that the overall veterans' completion rate in an employer's training program is disproportionately low the Administrator would disapprove the participation of any additional veterans in that employer's training programs. The employer would be afforded the opportunity for a hearing regarding the disapproval, which would take effect on the date that the employer is notified of it.

The disapproval would remain in effect until the Administrator determines that the employer has taken adequate steps to remedy the shortcomings in its VJTA Program. When action is completed which would likely raise the rates of completion, the Administrator would revoke the disapproval. Except in certain cases noted below, the Administrator, in deciding whether the remedial actions are adequate, would be able to take into account the effect of a modified VJTA payment formula placing a premium on veterans' completing their programs. Under the modified formula, which the committee bill provides for, at the Administrator's discretion, in the context of suspension of disapprovals, payments for the initial months of a training program could be reduced in order to provide for a lumpsum "bonus" upon completion of the training period. Under the discretionary formula, for programs of at least 4 months duration, the employer would receive for each of the first 4 months a payment equal to 30 percent of the veteran's starting wage; a payment equal to 50 percent of that amount for each month following that period; and, upon the successful completion of that program by the veteran, an amount equal to 20 percent of the first 4 month's of the veteran's starting wage. In the case of a job training program of less than 4 months duration, the employer would receive a payment equal to 30 percent of the veteran's starting wage for each month prior to the last month of the training period, 50 percent of the amount of the veteran's starting wage for the last month of training, and, upon the veteran's successful completion of the training program, an amount equal to 20 percent of the veteran's wages during all but the final month.

This special reimbursement formula could be applied to the employer—if the Administrator determines it to be appropriate as a condition of reapproval—for such period of time as the Administrator determines is appropriate in the particular circumstances surrounding that employer's job-training programs. The committee believes that the restructured formula could be used to increase the financial incentive to the employer to ensure that its training programs are responsive to veteran's needs.

The formula could not be used in the case of an employer having a VJTA Training Program completion rate of at least 60 percent, either cumulatively or during the previous program year, or an appropriate and effective employee assistance program available to all of the employer's VJTA participants.

DATA COLLECTION

In order to provide for better assessments of VJTA activities and program performance, the Secretary would be required, on a not less than quarterly basis, to collect from the heads of State employment agencies and SDVET's data regarding the numbers of veterans who have received counseling services pursuant to the provisions of VJTA, who have been referred to employers participating in VJTA, and who are participating in VJTA training programs and who complete such programs, as well information relating to the reasons for veterans' non-completion.

REOBLIGATION OF DEOBLIGATED VJTA FUNDS

The committee bill would provide, in section 11 that, when VJTA funds which have been obligated in connection with a veteran's entry into a VJTA job-training program are deobligated because the veteran leaves the training program before it is completed, the deobligated funds would automatically become immediately available to the VA for reobligation for payments under VJTA.

In accordance with its circular A-34, Instructions on Budget Execution—Revised, August 26, 1985—the Office of Management and Budget [OMB] requires the VA to request and receive an approved reapportionment each time the VA wants to reobligate a block of funds appropriated in a prior year which have been deobligated. The reapportionment process can delay the reuse of such prior-year funds for other VJTA trainees by many weeks. Reapportionment is a particular problem when all available funds from the current appropriation have been obligated and the VA is funding the program solely through deobligated funds. This can result in long program lulls while the reapportionment request is processed by OMB. This occurred earlier this year when the program was closed to new entrants for 6 weeks—from February 20, 1987, through April 3, 1987—despite the existence of $4.6 million in otherwise available deobligated prior-year funds for which OMB had not yet provided a reapportionment. Therefore, in the interest of program continuity, the committee believes that any deobligated funds would immediately be available for reobligation without any further action by OMB.

The committee has been advised by the VA that in May 1987 OMB informed the VA that apportionments based upon anticipated levels of deobligations would be approved. The committee notes, however, that this administrative policy, while an improvement over the prior approach, could be reversed at any time; that, even if it is not, the process of estimating future deobligations—like any other process relying on estimates—is imperfect; and that reliance on apportionments based on estimates cannot provide the same degree of assurance of maximum program continuity through the use of deobligated funds as would the automatic availability provided for in the committee bill.

CONCLUSION

Mr. President, this measure is necessary in order to ensure that the Federal Government does its best to make certain that those who have carried the burden of our Nation's defense have the opportunity to participate in the economic system that their service and sacrifice preserved. The bill would do this by a major revision of the law governing the Veterans Employment and Training Service and important improvements in, and 2-year extension of funding for, the Veterans' Job Training Act.

Before closing, I wish once again to acknowledge the great assistance provided on this measure by the Senator

from West Virginia [Mr. ROCKEFELLER] who did such excellent work at our April 30 committee hearing.

I also want to acknowledge the outstanding work of the representatives of a number of organizations and businesses who gave of their time and talents in the development of this comprehensive legislation—including representatives of the the American Legion; the Disabled American Veterans; the Veterans of Foreign Wars; the AMVETS; the Paralyzed Veterans of America; the Blinded Veterans Association; the Vietnam Veterans of America; the Raleigh County Memorial Airport of Beaver, WV; the Hernandez Electric Co. of Phoenix, AZ; the McDonnell Douglas Corp. of Long Beach, CA; Town and Country Electric, Inc., of Appleton, WI; and the Interstate Commission of Employment Security Administrators.

Mr. President, I also want to thank our committee's ranking minority member, Senator FRANK MURKOWSKI, for his fine cooperation and his many excellent contributions to the development of this measure and to express my appreciation to the committee minority staff members, especially Chris Yoder and Tony Principi, for their very effective work on this legislation.

Finally, my very special thanks to Darryl Kehrer, Ed Scott, Jennifer McCarthy, Cathy Chapman, Loretta McMillan, Roy Smith, and Jon Steinberg of the Veterans' Affairs Committee staff for their invaluable assistance to me in developing and perfecting S. 999, Amendment No. 160, the bill as reported, the committee report, and this floor statement. They have done outstanding work.

Mr. President, I urge all of my colleagues to support this important measure.

Mr. MATSUNAGA. Mr. President, I rise in strong support of S. 999, the Veterans' Employment, Training, and Counseling Amendments of 1987, introduced earlier this year by the senior Senator from California [Mr. CRANSTON], and cosponsored by myself and Senators DECONCINI, MITCHELL, ROCKEFELLER, GRAHAM, THURMOND, KERRY, BURDICK, and SIMON.

In essence, S. 999 does two things. First, it revises the job counseling, training, and placement services for veterans mandated under chapter 41, title 38. Federal oversight of federally funded, local veterans employment and counseling officers will be increased by making them more directly accountable to the Department of Labor's in-State representatives. Evaluation of the performance of these local employment officers will also be made simpler by the establishment of uniform performance guidelines. Perhaps most important, the bill will codify a funding formula for local veterans employment representative [LVER's] in order to allow the formula determining the number of such representatives to drive the funding levels, rather than the reverse. By doing this, we would allow need, not arbitrary OMB cutbacks, to guide these very important counseling and training services.

Second, S. 999 amends the Veterans' Job Training act [VJTA] Program, a cash-incentive employment and training program set up in 1983 for Korean war and Vietnam-era veterans, by opening up eligibility to veterans of all periods of service. Also, in recognizing that less than half of the participants in Veterans' Job Training Act sponsored training programs remain for the full term of the designated training program, S. 999 would increase the role of Disabled Veterans' Outreach Program specialists [DVOPS] and local veterans employment representatives in the VJTA counseling program, as well as improve the manner in which counseling is conducted. The bill also reauthorizes appropriations of $60 million in each of fiscal years 1988 and 1989 for the VJTA Program.

Mr. President, the programs proposed to be continued by S. 999 have already afforded thousands of veterans the opportunity to obtain the job skills necessary to lead normal, constructive lives. The VJTA Program alone, for example, has already trained over 54,000 veterans. S. 999 would merely improve the efficiency and effectiveness of these programs in helping to integrate additional thousands of veterans into normal community living. In this day of massive budget deficits and increasingly restrictive fiscal choices, it is imperative that these valuable programs be strengthened to withstand budgetary pressures, not only for the sake of the veterans themselves, but for all of us as well. What better way to improve our economic competitiveness is there than through the training of a work force that has already demonstrated responsibility, courage, and determination in military service?

In closing, Mr. President, I would like to commend the senior Senator from South Carolina [Mr. THURMOND] for his support of this measure. The history of this August body shows that the gentleman from Aiken has established himself as one of the earliest advocates in Congress of veterans' training programs. His invaluable support for S. 999 reinforces that record. But above all, I wish to commend the senior Senator from California for his outstanding leadership in this area. S. 999 is his bill, and is yet another reflection of the Veterans' Affairs Committee chairman's unmatched advocacy of the rights and benefits of America's veterans. I commend the senior Senator from California [Mr. CRANSTON] for a job superbly performed. In his honor let us unanimously pass S. 999.

Mr. MURKOWSKI. Mr. President, I am pleased to rise in support on S. 999, the Veterans' Employment, Training and Counseling Amendments of 1987.

The Nation and the Congress can be justifiably proud of the benefits we provide for those who have served in our Armed Forces. A veteran returning to civilian life can look forward to assistance with vocational rehabilitation, education and training, housing, medical care and other needs. Perhaps the most important benefit, the one with the greatest long-term impact, is assistance in finding employment. A veteran with a good job is a veteran with the means to proceed with his or her life. For this reason, I place great importance on veterans' employment benefits and the agency that administers them: the Veterans' Employment and Training Service [VETS] of the Department of Labor.

Veterans, along with my colleagues in the Senate, owe a debt to our distinguished colleague from South Carolina, Senator STROM THURMOND, who long ago recognized the importance of employment to veterans. His determination to provide effective assistance to veterans seeking work led to the establishment of the Veterans' Employment and Training Service under the leadership of an Assistant Secretary of Labor. The legislation we consider today rests upon the foundation Senator THURMOND built and would not be possible without his leadership.

VETS is a partnership between the Federal Government and the States. The Federal Government is responsible for establishing policy for, and funding, the nationwide network of local veterans employment representatives [LVER's] and Disabled Veteran Outreach Program [DVOP's] specialists. It is to LVER's and DVOP's who are employees of the State employment services, that the Congress must look to deliver on the promise we made to America's veterans to assist them when they look for a job. It is these LVER's and DVOP's who will be the direct beneficiary of the legislation we are now considering. This legislation will help veterans by helping the State employment service employees charged with the implementation of the veterans employment programs enacted by the Congress.

The legislation will help the LVER's and DVOP's by: first, clarifying their duties, responsibilities, and chain of command. This legislation would, if enacted, require that the work of LVER's be fully devoted to the provision of employment and related services to veterans, either directly or by providing assistance and guidance to other State employment service staff; second, require the Assistant Secretary of Labor for Veterans Employment and Training [ASVET] to develop and provide for the implementation

of performance standards of LVER's and DVOP's; and third, require the State directors of veterans' employment and training [SDVET's], employees of the Federal Veterans' Employment and Training Service, to functionally supervise the delivery of services to veterans by the State employment services and provide recommendations and comments to the management of the State employment services on the performance of the LVER's and DVOP's. These provisions will ensure that local employees receive the benefit of clear direction and unambiguous policy guidance, while at the same time assuring the Federal Government does not inject itself into the management and personnel practices of the State employment security agencies.

A major goal of this legislation is to enhance the professionalism of the LVER's and DVOP's in the field. The current Assistant Secretary of Labor for Veterans Employment and Training, Donald E. Shasteen, established administratively the National Veterans' Employment and Training Service Institute to provide for training and staff development of DVOP's, LVER's and others who provide employment, job training, counseling, placement or related services to veterans. This legislation would build on Assistant Secretary Shasteen's initiative by providing a legislative mandate for this staff development. The legislation would also provide for program stability for the LVER Program by mandating that the Department of Labor budget provide for 1,600 LVER's nationwide. In past years veterans' employment programs, and the morale of the staff in the field, have been threatened by the uncertainty which results when the budget submitted to the Congress would result in significant reductions in the number of staff. While the Congress has always provided adequate funding; the uncertainty makes it difficult to make, or implement, long-range plans to improve service to veterans.

I am also pleased this legislation includes a requirement that the Bureau of Labor Statistics conduct biannual surveys of the employment and unemployment status of special disabled veterans, including those who served in the Vietnam theater of operations. If the Congress is to effectively meet the needs of veterans with service-connected disabilities and those who served in Vietnam it is necessary to have accurate, current and reliable data on their employment status. Current data, which is based on the status of all veterans who served during the Vietnam era, is too general to be used as a basis for targeting benefits to those who may have been adversely affected by their service. If these veterans do have a disproportionately high unemployment rate it is not revealed in current data; because the data concerning these veterans is overwhelmed by the overall favorable data concerning Vietnam-era veterans in general. Conversely, specific data concerning veterans who served in the Vietnam theater or who have disabilities may show their employment status to be similar to that of other veterans. If that proves to be the case, then Congress will know that the benefits we have provided have been effective.

Mr. President, I commend the chairman of the Committee on Veterans' Affairs, Senator CRANSTON, for his willingness to amend S. 999, as it was introduced, to make clear that the functional supervision of State employment service employees would not create a dual chain of command with LVER's and DVOP's answerable to two bosses. In addition, the formula establishing the number of LVER's has been improved to eliminate the virtually open ended formula of the original bill. The formula in the current bill represents a compromise between the principle of assigning LVER's based on the number of veterans in a State and the principle of assigning LVER's based on the number of veterans registered for employment services.

Mr. President, I believe the American people and the Congress will insist that the Nation continue to provide priority employment services to veterans. This legislation will help ensure that the dedication of the employees who actually provide those services is matched by a comparable level of professionalism. I urge my colleagues to join me in its support.

Mr. THURMOND. Mr. President, I rise today in support of S. 999, the Veterans' Employment, Training, and Counseling Amendments of 1987. I am pleased to be a cosponsor of this legislation, which goes a long way towards making the current program of veterans' job training more efficient.

This bill strengthens veterans' job training in several ways. It establishes a statutory number of local veterans employment representatives, a structured chain of command among job service officers, and a National Veterans' Employment and Training Service Institute. As well, it sets forth uniform performance standards and performance reviews. In summary, Mr. President, this legislation greatly improves the quality of job training services available to veterans.

During the April 30, 1987, hearing on this matter, the Veterans' Affairs Committee heard testimony from the VA, the Labor Department, State and local employment agency representatives, and current employers of veterans. I was especially pleased that the committee was able to hear from Dr. Robert David, executive director of the South Carolina Employment Security Commission, about the merits of this important program. Dr. David is strongly committed to veterans employment issues and has a long history of involvement with job training.

Mr. President, facilitating the movement of unemployed veterans into the workforce is one of several key services we provide to those who have worn the uniform. I have long been a supporter of job training for veterans and can think of no group of Americans who are more deserving of this assistance.

Accordingly, I urge my colleagues to support this worthwhile legislation.

The PRESIDING OFFICER. The question is on the engrossment and of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed for a third reading and the bill to be read a third time.

The bill was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

The bill (H.R. 1504), as amended, was passed.

Mr. BYRD. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. DOLE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BYRD. Mr. President, I ask unanimous consent that Calendar Order No. 262, S. 999, be indefinitely postponed.

The PRESIDING OFFICER. Without objection, it is so ordered.

SENATORIAL ELECTION CAMPAIGN ACT

Mr. BYRD. Mr. President, what is the pending business before the Senate?

The PRESIDING OFFICER. The pending business before the Senate is the consideration of the bill S. 2, which the clerk will state by title.

The bill clerk read as follows:

A bill (S. 2) to amend the Federal Election Campaign Act of 1971 to provide for a voluntary system of spending limits and partial public financing of Senate general election campaigns, to limit contributions by multicandidate political committees, and for other purposes.

The Senate resumed consideration of the bill.

Mr. BYRD. Mr. President, if no Senator seeks recognition, I will suggest the absence of a quorum.

Mr. President, I withhold that.

Mr. EXON addressed the Chair.

The PRESIDING OFFICER (Mr. DASCHLE). The Senator from Nebraska.

Mr. EXON. Mr. President, we have been working very diligently for weeks and months now to try to come up with an acceptable formula that could

collect the necessary 60 votes to break the ongoing filibuster against the Campaign Reform Act.

I think the record is very clear that there are strong feelings on this particular measure. I would simply say that this Senator was one of those who was opposed to the original measure that was introduced in this particular area. I was against that, Mr. President, essentially because I have always been against the use of taxpayer funds as a principal element in so-called election reform. I was against that, Mr. President, because I felt that especially at this time when we are going through one of the great debates and discussions with regard to restricting the budget of the United States of America and bringing that under control, it was not appropriate for this body to consider additional expenditures of taxpayer funds for the purpose of seeking elective office.

Therefore, I told the sponsors of that bill after they had talked with me on many occasions that I could not and I would not support the original measure because it was against the principle that I had always stood for. That simply was, after we enacted legislation for taxpayer finance of the Presidential candidates—and it was predicted at that time that once we took that step, we would take the next step, logical or illogical—to start financing our own campaigns with taxpayer funds. So I opposed that and I opposed it quite vigorously. The sponsors of that measure knew that they would never have the vote of this Senator from Nebraska.

But all during that period, I was very much concerned, Mr. President, about the fact that I think that there is a decaying, if you will, an eating away, at the very principle of democracy because money plays such an important and key role in the political campaigns today.

I suspect that this has, to a large part, come about through the advent of television which is not only a very expensive but also a very effective media for or against the political candidates.

In any event, we started at that time, which I guess could be best established at maybe 5 or 6 weeks ago, and it became obvious that the sponsors of the original bill would never be able to get the votes to shut off the filibuster. I thought a filibuster on this bill was most inappropriate and on occasion I did support the cloture effort because I thought it should be up for debate and I thought we should have a chance to amend it along the way.

Finally, with a whole series of meetings and compromises, we compromised to the place where this Senator overcame most of the objections he had to the original act. I think that any indepth look at the original act and the measure that is before us now, as it has been amended, would lead one to conclude that it was significantly different from the original act.

There is some taxpayer financing in this measure. But those of us who felt that campaign reform was vitally necessary could come up with no other trigger mechanism or leverage, if you will, to bring about the improvements in the elective process so that money would not play such an important role.

We agreed that taxpayer campaign financing would only be a part of any campaign if one or both of the candidates would not live within not only the reasonable but also the excessive amounts of money that were assigned to each race on a per voter basis in the States.

Let me choose my State of Nebraska as a typical example. This compromise, which is the heart and soul of the campaign reform bill that I highly recommend to the U.S. Senate, provides that in a State with the population of Nebraska, it would allow up to about a million dollars, in round figures, to be spent on a political campaign. That was assumed to be a reasonable amount of money—indeed, it is a reasonable amount of money.

Until 4 or 5 years ago, if anyone anticipated that they would run for a major Statewide office in Nebraska, which could best be determined as the U.S. Senate or the governorship, and imagined that we would be spending more than $1 million in a campaign, it would have been rejected out of hand.

In a very few years not only has the campaign spending in Nebraska gone over $1 million for those offices, but considerably over that. In fact, in the last general election in Nebraska, each of the two major party candidates for Governor spent over $1.5 million each in their political campaigns.

It is estimated that $3 to $5 million or more was spent in our neighboring State of South Dakota last year on the senatorial race. I point out that the population of South Dakota is probably half that of the State of Nebraska—roughly 750,000 in South Dakota and roughly 1.5 milion in Nebraska. So I guess that from that standpoint, one might conclude that things are not out of hand in Nebraska yet, as compared with South Dakota. But I think this proves a very important point.

When you talk about races, especially those for the U.S. Senate, when each Member of the Senate, as it should be, has an equal vote, with the Senators from the extremely populous States such as New York and California, it is tremendously important, I think, that we try to put all this in perspective.

You hear a great deal about the terrible expenditures of money in the State of California for a race for the U.S. Senate or for Governor. You hear such things as: "Would you believe $10 million, $12 million, $13 million, $14 million, or $18 million? Isn't that awful?"

I think it is awful, Mr. President. But compared with a State like South Dakota, where one candidate would spend in the area of $3 million, affecting the relatively small population of that State, then $12 million or $18 million per voter, proportionately speaking, is not "too much" for California.

The fact is that I think all these numbers are becoming totally obscene. While I think there are many instances in which it could be indicated that elections are not necessarily decided by the amount spent, I think it would be safe to conclude that if you had equally qualified candidates with essentially the same styles, with essentially the same appeal, with essentially the same debating ability—if everything else were equal—and if there were the same number of registered Democrats as there were registered Republicans in that State, and if each of those split groups had the same fervor for the candidates of their party, I think it would be safe to assume that the candidate who spent the most money under those unlikely if not impossible circumstances would win the election, 9 times out of 10.

I do not think that is what the people of the United States want. Although I have not heard a great hue and cry sweeping the land, I believe that an increasing number of Americans are becoming very much concerned about the money that is being collected, sought after, and spent by candidates for public office.

Mr. President, I have been in the Senate for my second term, going on 9 years, but I have talked with those who have been here for a long, long time—my senior colleagues, if you will—and they tell me how it used to be. It used to be, Mr. President, that a U.S. Senator, who has many and varied duties and who is an extremely busy individual, had his hands full carrying on his normal duties representing his State in the U.S. Senate. Likewise, during an election period, he had the additional responsibilities as chairman of a committee, subcommittee chairman, and committee assignments. But when you put those duties on top of this new burden that has been placed on every Member of this body, when they are up for election, it has become overwhelming.

There is no way, in my opinion, that many of us have the waking hours, with our responsibilities, to do what should be done, when we have to spend an inordinate amount of time on the telephone, traveling about the United States, seeking, begging, and pleading for donations to "my campaign," because if I cannot come somewhere near matching my opponent in this campaign, I am very likely to be defeated. So, I think it comes back to a

situation that sooner or later we are going to change the elective process. Sooner or later, Mr. President, there is going to be, I suggest, a scandal break across this land, and then after the fact the Congress will rush in and say "We should have done something about that."

I think the time to do that, Mr. President, is now in this session. I simply would hope that the Members of this body and the people of the United States would begin to understand what a serious challenge this is indeed to our elective process.

Once again I say, Mr. President, I do not think that there are any of my colleagues on either side of the aisle who can be "bought." That is an ever-present threat that a lot of people think exists, but I think I know the people in this body very well.

But I do say, Mr. President, that you cannot be a good U.S. Senator, you cannot be a good or the best U.S. Senator that you could be, you cannot do the job that you are charged to do with representing the people of your State and carry out your assignments that come through seniority basically in this body, you cannot do all those things and do it the way you should and serve your constituents and serve your Nation, if on top of all of those things you have to spend up to 20 percent of your time soliciting money for your reelection effort.

Therefore, I think that the amendment that we have put on this bill goes back and very well addresses the cure that the U.S. Senate tried many years ago to solve this problem and that was a very straightforward simple cure, Mr. President. It said that no more than such and such amount of money, again on a per voter or population basis, could be expended by any candidate in a congressional district or any candidate for the U.S. Senate in any State of the United States. You just could not spend. We have put a cap on spending.

Well, that would have worked but the Supreme Court, as we all know, held that violation of the constitutional rights of an individual and stripping aside all of the other legal phraseology the Supreme Court of the United States simply said that they agreed that the basic foundation of the bill was a good one but they also agreed that the constitutional rights of a very wealthy individual were violated if the law said that he could not spend all of his million or all of his billion on himself to be elected to high public office.

It was before I was involved here, but I remember when that ruling came down I though it was a rather disappointing ruling for what I felt would be fairness and reasonableness in the elective process. But at the same time I recognized that the Supreme Court of the United States has to make its decision on not what it would like to do but upon the laws of this land and basically the Constitution of the United States of America.

When that came down it just shattered the reforms that were then in place and ever since that time we have been trying to correct it with a constitutional amendment. When the Supreme Court decides something on constitutional grounds that you do not agree with, the one way of correcting that, and it is not an easy way, is to propose a constitutional amendment which changes the Constitution and the Constitution could be changed in a manner that would have allowed that previous campaign reform bill to become operative.

But changing the Constitution we all know and for very good reason is a difficult task. You have to get it passed by the Congress and then you have to get it ratified by most of the State legislatures in the United States. So that has not been done.

This Senator from Nebraska is a cosponsor of a constitutional amendment to allow us to do just that right now, but we all know that at a minimum this is a 4- to 6-year process even if it is successful and I suspect, in the long run, it might be.

So the other way to change that and the other way to get around this lengthy process and to stay away from amending the Constitution of the United States, which I think should not be amended promiscuously, is we have developed this bill. This bill simply goes back basically to the same tenets as the previous bill by setting campaign limits on a population basis for elective offices of the U.S. Senate and, as I said, in the case of Nebraska, it would allow roughly $1 million to be spent.

But to get around the constitutional problem, then we said and provided in this bill that if one candidate agrees when that candidate files for the U.S. Senate that he would spend no more than $1 million, and then we require appropriate reporting to see that that is accomplished, but if the opponent says, "No, I won't live by that, I am going to spend whatever I want to get elected to the United States Senate from Nebraska," then and only then could the candidate who had agreed to abide by the law qualify for limited taxpayer financing of a campaign up to a specific amount.

Mr. McCONNELL. Excuse me, will the Senator yield for a question?

Mr. EXON. I am happy to yield for a question.

Mr. McCONNELL. I was listening with interest to my friend from Nebraska describe what we might call "Boren III," the third proposal for taxpayer financing and spending limits in Senate campaigns, and the Senator's analysis of Buckley versus Valeo.

The Senator is aware, I assume, of the way that the Presidential public funding system works, is he not?

Mr. EXON. Yes.

Mr. McCONNELL. Would the Senator from Nebraska please describe to me what the penalty is against a Presidential candidate who chooses not to accept taxpayer funding of his campaign?

Mr. EXON. If he did not accept public funding?

Mr. McCONNELL. Yes. Consider for example, former Treasury Secretary John Connally, who said in 1980, "I choose not to accept public funding; I choose to go out and raise my money from people who support me." Could the Senator describe to me what penalty, under the Presidential campaign law, accrues to a candidate who says, "As a matter of principle I choose to raise my own money instead of dipping into the public bill." What happens to him?

Mr. EXON. I do not think very much happens to him. I guess he is probably an individual like John Connally who felt that he did not want to be controlled by any rules or regulations. He probably had the wherewithal to finance his campaign or felt that he had enough people interested in his candidacy that he could go out and raise the money on his own. What is the point of the question?

Mr. McCONNELL. The point I intend to make, as my friend from Nebraska knows, is that there is no penalty.

Mr. EXON. No.

Mr. McCONNELL. Under current law, if one is running for President and chooses to do it the hard way, by raising his campaign funds from a whole lot of people, there is no penalty. He just has to work hard to compete with the Government-funded opponent.

Now, under all three campaign finance schemes proposed by the Senator from Oklahoma, there is a penalty: you get punished, in other words, if you choose to go out and do it the hard way, to work for your funds, whether you do it as a matter of principle, or because you believe a lot of people are willing to support your views. Under Boren I, Boren II, and Boren III, the candidate who accumulates a lot of support the hard way triggers a punitive payment of money to his opponent from the Federal Treasury. I would suggest to my friend from Nebraska that all three of the proposals of the Senator from Oklahoma clearly are in violation of the Constitution, because you get punished by the Government for exercising your first amendment rights: to go out and get your own support, instead of reaching into the taxpayers' pockets. In the opinion of the Senator from Kentucky, the penalty feature of S. 2,

in all its sordid permutations, violates the clear rule of law established by the Supreme Court in Buckley versus Valeo: that Congress may, in limited ways, offer the taxpayer's money as an inducement for candidates to forego private, voluntary contributions and limit their overall spending. But the Court makes it clear that Congress only can provide incentives for compliance, not Government-enforced penalties.

Mr. EXON. I thank my friend from Kentucky for asking the question.

I suppose, though, that if you would follow out the logic to the point that he has just raised you simply say that you never ever under any circumstances control the amount of money that any candidate could spend to be elected President of the United States or in the case of this body elected to the U.S. Senate. I do not know whether my friend was here earlier when I tried to make the point. But I do not believe that the people of the United States feel that elections should be bought, and I tried to give a reasoned position that I held in that regard.

Not always is it the case that the one that spends the most money wins an election.

But in going back to answer the Senator's question, he will remember, I am sure, that under the campaign law that was declared unconstitutional by the Supreme Court, it would have been against the law to spend more than a certain amount of money to be elected and the reason for that was the enforcement mechanism, I would suggest, for the Campaign Reform Act.

What we have done here, of course, in this act with the amendment that has now been offered to the measure of the Senator from Oklahoma that this Senator originated is simply say we think we get around the constitutional objection here. Who knows what the learned ones on the Supreme Court will do or say about anything that we do here because, as the Senator from Kentucky knows very well, they do pass judgment as is their responsibility on the laws that are passed by the Congress and, of course, signed into law by the President of the United States; the point being that if you are not going to have some enforcement mechanism, then always you are going to have the very wealthy person that can finance their own campaign highly likely of success in the political system.

Let me just say in concluding my remarks, Mr. President, that if there are those who think that the present system is fair and reasonable, if there are those who see nothing wrong with $1.5 million on each side for a candidate to run, or up to $5 or $10 million to seek office in the less-populated States of our country, if they think it is all right, that it is a good thing to spend up to $3 million per candidate for office in a State such as my neighboring State of North Dakota with 750,000, then I think what they are really saying is that, "Notwithstanding anything else, let's allow all the spending anybody wants or can raise to influence a campaign."

I am not sure that that is the best way to go. But, of course, I think no less of those, such as my friend from Kentucky, who do not share my point of view. They may be right. I think they are not.

I simply say, Mr. President, that we have tried to work this bill out. It has been amended so far from the original proposal by the Senator from Oklahoma that it is hardly recognizable. But it does do what my friend and colleague from Oklahoma, in close cooperation with the majority leader, has had in mind for a long, long time, and that is to begin to get the amount of money, the inordinate amount of money, the obscene amount of money, depending on your point of view, from having an improper influence on the elective process in this great country of ours.

So, Mr. President, I hope that I have made some points that my colleagues might study and take a look at; because I suspect that if the proposition that we are fostering here today were voted on by the people of the United States, I suspect that there would be an overwhelming number of the people of the United States, Republicans and Democrats alike, that would say that is fair, that is reasonable, and that puts a limited limit on the amount of money that should play within and outside the political system.

I just want to say one final message. There may be some additional flaws in this bill with regard to the control of expenditures by those other than the candidate and the candidate's campaign organization itself. We are certainly open to any suggestions, any workable suggestions from those on the other side of the aisle who remain diametrically opposed to the basic tenets and principles of this bill, which is to control, to limit, to some reasonable degree, the amount of money that is spent in campaigns.

So the door is open for constructive compromise, so long as an amendment is not offered that would, in essence, be a killer amendment and make inoperative the procedures that we are trying to advance with this bill.

Mr. President, I yield the floor.

Mr. McCONNELL. Mr. President, I commend the Senator from Nebraska for his insight in this matter. In fact, we do agree on a number of different points. The Senator from Nebraska on several occasions made reference to the problem of "campaigns being for sale." The implication of this concern is that millionaires, spending their own money on high-ticket campaigns, distorts the process. I cannot agree more.

One flaw in Buckley versus Valeo was that it allowed an individual of great wealth to spend everything he had in pursuit of political office. I might say to my friend from Nebraska, I wish that his most recent proposal, Boren III, did something about that. But it doesn't, and it can't, because the "millionaire's loophole" is a constitutional problem, requiring effective constitutional action.

The Senator from Kentucky has already introduced a constitutional amendment, Senate Joint Resolution 166, that would give Congress the authority to limit what an individual can spend from personal funds on his own campaign. That is a limited power that the Congress ought to have. And I agree that this portion of the Supreme Court decision in Buckley versus Valeo was not good policy.

I would be more than happy to have the Senator from Nebraska as a cosponsor of this constitutional amendment. I believe that we should not just casually or drastically amend the Constitution, but this is not a complicated amendment; it would be likely to pass through this Congress with great speed, an the election process would be better off for it.

Mr. EXON. Will the Senator yield for a question?

Mr. McCONNELL. Yes, I am glad to yield.

Mr. EXON. I am very much interested in the piece of legislation you just mentioned. How does your piece of legislation for a constitutional amendment differ from the constitutional amendment offered by the Senator from South Carolina which changes the Constitution? Is your amendment very similar to that?

Mr. McCONNELL. It differs, I say to my friend, in this one respect: It is the opinion of the Senator from Kentucky that, if we put reasonable limits on what individuals can contribute to campaigns—and we have those limits; I could give no more than $1,000 to your campaign in the primary and general elections; and if we require full disclosure of all contributions and their sources, then there should be no limit on how much support a candidate can gather from people at home. The Senator from Kentucky and the Senator from Nebraska ought to be able to go out and get as much support as they can attract, from a whole lot of people throughout the States they represent.

I do not agree with the Senator from South Carolina that Congress should be given broad authority to control how much participation there can be in a campaign, which is what spending limits are. I do agree that an individual millionaire shouldn't be able to

distort the process by going outside of the limits that the rest of us abide by.

Mr. EXON. If I could ask another question.

Mr. McCONNELL. Yes.

Mr. EXON. I appreciate the implied invitation, but I do not care to cosponsor the amendment offered by my friend from Kentucky and I will stay as a cosponsor of the amendment offered by my friend from South Carolina, which is in keeping, basically, with what I feel is critically necessary.

If I understand, then, the position of the Senator from Kentucky, if you and I were running against each other in the United States, which I am sure cannot and never will happen, but if we were and we were from the same State and if I traveled in a circle where I had 500 people that were millionaires or more in their total net worth and you had zero, none, who are millionaires or more, do you think that would not give me a distinct advantage in the race that we would have?

Mr. McCONNELL. I would say to my friend from Nebraska that a fellow running for a public office is like a fellow starting a business: he's got to find a way to build support for his venture and get people to believe in what he stands for. In politics, with the strict limits on individual contributions, none of your millionaire friends could give you more than $1,000 in the primary and general elections. With the limits as low as they are, you would be forced to attract a broad base of support and a lot of small contributors, just like any other candidate.

I might add that we could even further lower the limit on individual contributions, because the more you lower what can be contributed, the more you broaden the base of contributors and bring in more small donors.

I listened with interest to the observations of the Senator from Nebraska about the time involved in raising money. This is purely a strategy option, not necessity. Some incumbents choose to raise money early; many do not. I know several people on this side of the aisle who do not like to do that. They choose not to raise money early, preferring to wait until later. It is our option; nobody is making us go out and raise money early if we do not want to.

Mr. EXON. May I ask a further question, then, just for clarification?

Mr. McCONNELL. Yes.

Mr. EXON. All these millionaires that were in the hypothetical race that I outlined before, would it not be possible for those millionaire friends of mine to go out and form or contribute to a political action committee that could, in turn, give to this candidate, and, therefore, funnel additional money into the campaign of us millionaires?

Mr. McCONNELL. No, because we have also put limits on what people can contribute to PAC's: $5,000 per election. What would be most likely to happen, under the schemes that the Senator from Oklahoma has put forth, is that those millionaires could still do the same thing they do today under existing law: making independent expenditures in whatever amounts they desire. That is possible under today's law, and under each of the three versions of S. 2.

One good thing about existing law—though there are parts of it I do not like—is it gives preference to campaign spending which is fully reported and in fairly small denominations. None of the millionaires in your hypothetical could distort overall spending beyond the $1,000 limit, unless they made independent expenditures or chose to buy political office for themselves; in that case, they could spend as much as they desired. Both of these are loopholes the Senator from Kentucky would like to close, and he has introduced a limited amendment to the Constitution enabling Congress to limit millionaire spending on personal campaigns and independent expenditures.

Mr. EXON. Well, they would, would they not, be able to contribute to PAC's all over the country that, in turn, could contribute to me?

Mr. McCONNELL. As I indicated, no one can contribute more than $1,000 to you, or $5,000 to a PAC, and no PAC can give more than $5,000 to you either. The good thing about our current system is that wealthy supporters don't help you any more than average citizens who like you.

Mr. EXON. Well, I am not sure I totally agree with my friend from Kentucky. Both of us, I think, are creatures of the free enterprise system. I am not sure that running for office is like starting a business. Because this Senator started my business in the basement of our home, my wife and I. So I have some experience in starting a small business. I also have the experience of starting up from scratch in the political races.

I am not sure that I really believe that they are one and the same, and, therefore, I am not sure that the total free enterprise system applies to political races.

But, nevertheless, I respect the point of view expressed by my friend from Kentucky.

Mr. McCONNELL. Since you brought up the political action committees, my friend, it is the opinion of the Senator from Kentucky that public dissatisfaction with political action committees is what is really driving the movement for campaign finance reform.

I proposed a measure, along with Senator PACKWOOD and others, which would eliminate PAC contributions altogether. We could zero out PAC contributions to candidates and, as far as I am concerned, to parties as well.

The two biggest distortions of overall spending are millionaire expenditures, which have gone from $11 million in 1978 to $40 million in 1986, and PAC contributions: in 1978, PAC contributions were roughly $35 million; last year they were $132 million.

It is clear, if you try to define where the problem is, that spending increases have occurred largely because of the millionaire's loophole and the advent of PAC contributions.

Those two developments have been the prime sources of abuse in the current system. That is what turns the public off, not the total amount of mney spent in campaigns, as long as it is spent by a whole lot of people. What offends the public is that wealthy candidates and PAC's have single handedly inflated campaign spending to vast proportions.

Mr. EXON. Let me ask you one more question. I know you want to make a presentation. I do not have any charts but I wanted to ask you this question. If we would enact a constitutional amendment that the Senator from Kentucky is sponsoring, and if we would enact into law the legislation that he is sponsoring, with regard to PAC's and everthing else, and if we had all those things in place—and going back to our theoretical race—the Senator from Nebraska against the Senator from Kentuchy, would, after you get all of these things in place, would it not be possible for me to raise and spend $3 million to $4 million in this race and my friend from Kentucky, if that is the best he could do, would have a total expenditure of, say, $500,000 to $800,000?

Mr. McCONNELL. That is certainly possible, because in the hypothetical that the Senator from Nebraska phrases, the Senator from Nebraska would have a whole lot more support than the Senator from Kentucky, and would be more likely to win—because he would have more support. That is what this process is all about, going out and getting support. That is perfectly all right; it is part of the rough and tumble of American politics.

Who is to say that every candidate should be funded from the Federal Treasury at an equal amount? Who is to say that if a candidate decides to go out and gather his support from a whole lot of folks, that he should trigger taxpayer dollars to his opponent?

I do not think we should be passing a law that is blatantly unconstitutional to deal with a limited problem that can be cured directly. Let's not make all candidates "equal." All candidates are not equal; that is why some win and some lose. Some try harder, some care more, some work harder to win. That is the American way. Public fi-

nancing and spending limits is more like "from each according to his abilities, to each according to his means." That is socialism, and we don't need to import it into our American democracy.

Mr. EXON. Just to clarify this one more time, if you yield—I appreciate your consideration. You are coming back to the situation that I think is the main sticking point by many on that side of the aisle and others on this side of the aisle.

I would simply say to you that if we ever run for office against each other, I do not think that I am $3 to $5 million a better U.S. Senator, or more qualified U.S. Senator, than my friend from Kentucky.

While I would be quite well satisfied and comfortable as a politician—and I have been down the road—if I were going to spend $4 to $5 million, and you were going to spend $500,000 to $600,000, that would be very comfortable. I am very fearful, though, that what my friend from Kentucky is overlooking is the fact that the numbers of people giving to campaigns have a direct relationship to the amount of money that the individual who works at the factory can give and the amount of money that a fairly wealthy person can give, along with the contribution that he can also give in his wife's name.

So I simply say that I think where we part company—we are trying to be fair. I do not think it is fair for me to have $4 to $5 million in my campaign running against you and you have $500,000 to $700,000. I am sorry, I do not think that is fair to you. But, if you want to run under those circumstances, I am going to be assured of winning most of the time.

Mr. McCONNELL. I would say to my friend that it appears to me that he has a bias against certain kinds of political participation. There are all kinds of ways to participate in the campaign.

Those who are busy and involved, starting businesses, like the Senator from Nebraska started his, do not have time to go down to the union hall and work on a phone bank or go out to voter registration drives. Instead, they give a small, disclosed contribution to the candidate they believe in.

It is pretty clear to the Senator from Kentucky that the campaign finance schemes emanating from the other side have a clear bias against small contributions, as opposed to soft money contributions—none of those proposals would do anything at all about soft money.

If we are talking about leveling the playing field, we should bring all the soft money right into the open and put a limit on it. I wonder how the Senator from Nebraska would feel about that.

Mr. EXON. Let me answer that question. You remember that I said a few moments ago there still may be some shortcomings with the bill as advanced and as significantly amended, as the Senator from Oklahoma offered.

I was talking about that particular point. I worry, too, about the soft money. That is why, if we could work with the Senator from Kentucky and if he could help us formulate further amendment to that bill to get at the soft money, then I will support that. That is a concern of mine and, as I have advised the Senator from Oklahoma, I am not, still, totally satisfied with this bill from that standpoint.

So I just say to my friend from Kentucky, if you will be willing to work with us, close at least that portion of the concerns that you have with the bill we would be very delighted to have you join with us in giving us one more vote that we need to reach that 60 votes for cloture.

Mr. McCONNELL. Let me just conclude this discussion by saying I commend the Senator from Nebraska for recognizing this particular problem. As he knows, soft money is neither disclosed nor limited. Individual contributions are limited and fully disclosed; but soft money is a gaping loophole through which millions and millions of dollars are spent every election cycle. It is influence-buying on the black market, and we must blow it open and shut it down.

It has been the suspicion of the Senator from Kentucky that the schemes emanating from that side of the aisle are not particularly interested in either disclosure or limitation on soft money contributions, because the other side of the aisle benefits handsomely from them. If we are going to have a level playing field, it seems to me there ought not to be a bill that is constructed in a manner that has a certain bias against cash contributions and no bias at all against in-kind contributions.

Mr. EXON. I would simply add that we have been discussing and debating this now for I guess 30 or 40 minutes. We have come to a point where the Senator from Kentucky and the Senator from Nebraska agree and maybe we can work that out.

I thank you for your consideration.

Mr. McCONNELL. I thank the Senator.

The PRESIDING OFFICER. Does the Senator from Kentucky seek additional recognition?

Mr. McCONNELL. For the moment, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. McCONNELL. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Ms. MIKULSKI). Without objection, it is so ordered.

Mr. McCONNELL. Madam President, we are now into our 12th day of debate on S. 2. There are a number of issues confronting the country that I am reasonably confident the American people think enjoy a higher priority. The judgment of the Senator from Kentucky, for example, is that tort reform or the liability crisis might be more on the minds of the people of the United States than campaign finance reform.

The distinguished Senator from West Virginia is seeking to bring up catastrophic illness coverage. I believe that is a higher priority.

America is concerned about the competitiveness of our country's industry yet we passed a trade bill last week which was strongly anticompetitive.

As usual, we passed no appropriations bills and we will probably be here until Christmas Eve.

Yet we have spent 12 days, Mr. President, on a problem that really does not exist. There has been a lot of talk about campaign spending in this country, but the fact of the matter is we spend less on Senate campaigns than the American public spent on bottled water last year. We spent more advertising pet food than we spent on House and Senate races combined. When you talk about campaign spending, you have to say, "Compared to what?" Compared to almost any form of communication in our society, which is heavily communications-oriented, we are not spending a whole lot on campaigns.

Most of the money we are spending from campaigns is coming from a whole lot of people who are participating.

And the people who contribute to campaigns are people who are too busy taking care of patients or running businesses or doing something productive to register their views any other way. They do not have the time to go out and work a phone bank, or to go door-to-door, or engage in other political activities. But they want to participate, so they make a small contribution.

Under existing law it is not possible to make a very large financial contribution. The most anyone can give, and few give this much, is $1,000 per election. Not many people do that, but a lot of people make small contributions.

One of the wonderful things that has happened the last 10 years is that a whole lot of people have gotten involved in contributing to political campaigns. One of the reasons that we have been able to raise more money is because more people are interested

and are participating. That is not bad; that is absolutely good. We ought to be encouraging participation in campaigns. We ought to encourage people to get involved.

For most people, the easiest way for them to get involved is to make a small contribution.

That is what this whole debate is about, Madam President. There are some, unfortunately most of them are on the other side of the aisle, who do not have much problem with undisclosed special interest soft money. But these same Senators do want to limit how many individual contributors there can be.

Of course, their goal from the beginning has been to dip into the Treasury and have the taxpayers pay for political campaigns. We have seen several different proposals for this during these 12 days of debate, Boren I, Boren II, and now Boren III.

Boren III has cut the financial exposure of the Government and us taxpayers somewhat. It is estimated now at roughly $30 million in mail subsidies if the bill applied to Senate races only, and from $70 to $100 million if it included the House.

I might say, Madam President, there is no chance of a campaign reform bill being passed that applies only to the Senate. If we are going to change the rules in Federal elections, they must apply to both bodies. We are talking about a version of S. 2 that dips into the Treasury roughly to the tune of $70 to $100 million each election.

Further, Boren III will punish people for exercising their first amendment rights. We have had a lot of people criticize the decision of Buckley versus Valeo. Madam President, may I be so bold as to say it was a good decision. It ratified most of the campaign reforms that were passed in the 1970's. It did, however, say that Congress can go too far in gathering power to insulate its elections from popular will. It can go too far in a free society in snuffing out the rights of citizens to participate in a political campaign.

Let me read in part from the much-maligned decision of Buckley versus Valeo.

The Supreme Court said:

A restriction on the amount of money a person or group can spend on political communication during a campaign necessarily reduces the quantity of expression by restricting the number of issues discussed, the depth of their exploration, and the size of the audience reached.

Further, the Supreme Court said:

Virtually every means of communicating ideas in today's mass society requires the expenditure of money. The distribution of the humblest handbill or leaflet entails printing, paper, and circulation costs. Speeches and rallies generally necessitate hiring a hall and publicizing the event. The electorate's increasing dependence on television, radio, and other mass media for news and information has made these expensive modes of communication indispensable instruments of effective political speech.

The expenditure limitations contained in the Act . . .

They were referring to the one passed back in the 1970's.

. . . represent substantial rather than merely theoretical restraints on the quantity and diversity of political speech.

No governmental interest that has been suggested is sufficient to justify the restriction on the quantity of political expression imposed by . . . campaign expenditure limitations . . . The interest in alleviating the corrupting influence of large contributions is served by the Act's contribution limitations and disclosure provisions . . .

The court went on to say:

There is no indication that the substantial criminal penalties for violating the contribution ceilings combined with the political repercussion of such violations will be insufficient to police the contribution provisions. Extensive reporting, auditing, and disclosure requirements applicable to both contributions and expenditures by political campaigns are designed to facilitate the detection of illegal contributions.

Given the limitation on the size of outside contributions, the financial resources available to a candidate's campaign, like the number of volunteers recruited, will normally vary with the size and intensity of the candidate's support. There is nothing invidious, improper, or unhealthy in permitting such funds to be spent to carry the candidate's message to the electorate. Moreover, the equalization of permissible campaign expenditures might serve not to equalize the opportunities of all candidates but to handicap a candidate who lacked substantial name recognition or exposure of his views before the start of the campaign.

In any event, the mere growth in the cost of federal election campaigns in and of itself provides no basis for governmental restrictions on the quantity of campaign spending and the resulting limitation on the scope of federal campaigns. The First Amendment denies government the power to determine that spending to promote one's political views is wasteful, excessive, or unwise. In the free society ordained by our Constitution it is not the government but the people—individually as citizens and candidates and collectively as associations and political committees—who must retain control over the quantity and range of debate on public issues in a political campaign.

I venture to say, Madam President, that almost anyone in the Senate would profess to being a supporter of the first amendment. The Supreme Court has said very clearly, in a unanimous decision, that the kinds of restrictions suggested in the various S. 2 permutations are unconstitutional.

The Presidential system is frequently referred to by S. 2's supporters; but there are some important distinctions between the Presidential public funding option, and the penalties proposed in the various versions of S. 2.

In the Presidential system, there is no penalty for choosing to receive public funds. If you choose not to receive public funds, you just have to work very hard to win.

We had one candidate for President, who was not successful—and maybe that is why no one else chose this option—who said, "I don't believe in taking money from the Treasury to run my campaign. I'm going to raise it myself." He did not make it. No one else has. The only penalty was that he had to work harder. He did not dip into the Treasury. He went out and worked for it.

Under all the schemes that have emanated from the other side of the aisle, however, there are real and substantial penalties levied for exercising one's first amendment right in running for public office in this country, to go out and garner as much support as you can. If you do that under any of these schemes, a substantial amount of taxpayer money is triggered immediately to the opponent, in substantial sums.

Clearly, the only reason why the bills have been designed this way is to make it virtually impossible for a candidate, who chooses to raise his money privately, to go out and raise support from a lot of little people in his home State.

Having said that, Madam President, let me hasten to add that the Senator from Kentucky is not entirely satisfied with existing law. There are a number of changes that could and should be made.

Two things have clearly driven the increase in spending on campaigns in the last 8 years, and we have talked about them frequently in the long 12 days of debate that we have been involved in this issue on the floor.

In the age of television in the Senate, charts have become quite popular, and the Senator from Kentucky has one as well. This chart refers to total spending in 1978 in races for the House and the Senate. Total spending was just under $200 million in 1978. In 1986, it was around $450 million. There has been a clear increase in the amount of money spent in House and Senate races, from a little under $200 million, up to $450 million. Inflation obviously has driven that to some extent. But where does the money come from, that additional money that is going into political campaigns?

The big increases have been in two areas that are worthy of attention. First, political action committee contributions have grown substantially. The total PAC spending on House and Senate races in 1978 was $35 million. In 1986, political action committee spending had risen to $132 million, a fairly substantial increase over an 8-year period.

The other area that has gone up considerably is millionaire spending on their own candidates. This was one of the things that Buckley versus Valeo said you could not restrict, that it would be a violation of a wealthy can-

didate's first amendment rights to tell him how much of his own money he could put into his race. People who have a lot of money, therefore, have chosen to do that.

In the case of millionaire spending, on which there is no limitation, in 1978 there was $11 million spent by millionaires in their own behalf, by people in their own campaigns, and that had risen by 1986 to $40 million.

So what you see driving the increase in the amount of money spent are two new sources of funds: The growth in PAC's and the growth in the number of people of great wealth willing to spend money in their own behalf.

The Senator from Kentucky believes that those are two problem areas that could and should be addressed.

The Senator from Kentucky has introduced a constitutional amendment—that is what it would take to overrule Buckley versus Valeo, in part—which would give Congress the authority to limit what individuals can put into their own campaigns. That would level the playing field considerably between the millionaire candidate on the one hand and the candidate of modest means on the other.

Further, the Senator from Kentucky, the Senator from Oregon, and others have introduced a bill that would eliminate political action committee contributions altogether, to candidates and to parties.

To the extent that those two sources of funds were either eliminated, in the case of PAC contributions, or brought under the same restrictions as contributions to another, in the case of millionaire contributions, you begin to level the playing field.

The final item that should be dealt with is the question of the cost of campaigns on the other end, and that is the cost of television. We all know, because we have run for office, that the big cost in any campaign is TV. It is the magic medium. It is the place people get to know us. It is the place they make the decision as to whether to vote for or against us.

Clearly, the requirements under existing law that they sell us political candidates the time at the lowest unit rate available to others is not working out very well.

The Senator from Kentucky and the Senator from Oregon have also proposed a requirement that stations sell us the time at the lowest unit rate of the entire preceding year. It would eliminate the potential to raise, the lowest unit rate just prior to elections, and thereby nullify the discount. If it is a hotly contested race, it is easy for the station to raise the rate for all customers during that pre-election period, so that the lowest unit rate becomes a good deal higher than it was immediately before that; and they thereby make an enormous profit off of political activity.

It would not be violation of any broadcaster's property rights to simply require that the stations sell us campaign advertising time at the lowest unit rate of the preceding year. Considering the handsome sums they extract from us now, such a discount would not even materially hurt their balance sheets.

That would avoid the spending increases which have been seen in many States, and which have further driven up the costs of campaigns.

Madam President, there is a way to deal with the real problems in this area, without putting a limit on particpation by average individual citizens around the country. The Supreme Court has said that is in fact unconstitutional. It is a first amendment freedom, and shouldn't be restricted.

We can get at the real problem by doing something about the cost of TV, the millionaires' loophole, and political action committees.

It is the opinion by the Senator from Kentucky that what is generating all the bad press, and there has been some—is the belief that the special interests are contributing too much to political campaigns. You can make that argument. Special interest or PAC contributions have clearly gone up substantially, from $35 million in 1978 to $132 million in 1986. Why don't we just eliminate them, just zero them out, and then the contributions that go into campaigns will come entirely from individuals. We have not raised the amount that an individual can contribute in over 12 years and I am not even advocating that. Keep it where it is.

The downside of keeping the limit as low as it is requires us to work harder. I notice a lot of folks in this body don't want to work very hard in their campaigns. They just would like to reach into the Treasury and get the tax dollars that have been given involuntary by the folks out there, rather than going out and raising it themselves. It is time-consuming if one chooses, and it is our choice. Nobody makes us do it. It is time-consuming if one chooses to raise a lot of money, and it takes a little while to do that. You do not have to. If you want, you can just say no.

There are a number of Senators in this body on both sides of the aisle who simply choose not to do that. They say, "That may be good strategy, to stack up a lot of money early and scare my opponent off, but I choose not to do so. I am going to cut down the length of time that I am involved in this process to 1 year." Nobody is making us do either.

I have heard time and time again from the other side of the aisle, "I am spending all my time raising money." Senators are going hither and yon and everywhere raising money. No one is making them do that. They choose to. They choose to because they think it is good strategy.

We ought not to rewrite the basic compaign laws of this country because some Senators do not want to spend any time at raising money. Nobody is saying to them that their campaign budgets should be a certain amount. They can do what they choose to do.

We should not, however, pass a bill that is flatly unconstitutional, just because some people do not want to spend much time raising money.

The sanctions against the exerise of first amendment freedoms in the various Boren proposals violate the Constitution. Now, some will say, "Let us just pass a bill, and see if the Supreme Court decares it unconstitutional."

Now, I do not think we ought to go around as a careful, deliberative legislative body, passing bills that are blatantly unconstitutional.

The various suggestions that the Senator from Kentucky has made would achieve true campaign reform by doing something meaningful about the millionaire problem, the PAC problem, and the cost of campaigns. That would be true campaign finance reform.

The Senator from Kentucky has said frequently, over the 12 long days we have had this debate, that he would be willing to sit down at any time with the leaders on the other side to talk about true campaign finance reform. For true campaign finance reform to pass, it must be bipartisan. You are not going to get a partisan bill out of here on this vital issue.

The people on this side of the aisle have seen that the various proposals emanating from the other side discriminate against small individual contributions and protect the so-called in-kind contribution, or soft money. Democratic candidates, by and large, have done better with soft money, so they want to protect that. Republican candidates have attracted the support of the small contributor, so they want to push the average citizen out of politics.

Thus, it has developed into a partisan conflict. But if we are serious about passing a campaign finance reform bill, we ought to take this matter off the floor, sit down together, and work out something that will treat the millionaire problem, the PAC problem, and the cost of campaigns. We can enact a law that will be good for the system and not hurt either one side or the other side or the system itself. That is the kind of bill we ought to be working toward.

That concludes my observations for the time being, and seeing no one else on the floor, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BYRD. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

RECESS FOR 15 MINUTES

Mr. BYRD. Madam President, there will be no more rollcalls today. Some discussions are going on at the moment. Rather than keep the Senate in a quorum call longer and so as to give the doorkeepers and others a chance to get a drink of water and a breath of fresh air, I ask unanimous consent that the Senate stand in recess for 15 minutes.

There being no objection, the Senate at 5:32 p.m., recessed until 5:47 p.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer [Ms. MIKULSKI].

Mr. BYRD. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HUMPHREY. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

JUDGE BORK AND THE FIRST AMENDMENT

Mr. HUMPHREY. Madam President, last night in remarks before the Senate I called my colleagues' attention to the extraordinary track record compiled by Robert Bork as a member of the U.S. Circuit Court of Appeals for the District of Columbia. It is doubtful—and I am having this research done now so I will have more authoritative information on this point, but I think it is fair to say—it is doubtful that any other appellate judge in the Nation can match the number of majority decisions he or she has written or joined in with without a single reversal of those decisions by the Supreme Court.

Judge Bork's record on this point is extraordinary. He has written approximately 100 majority decisions, not one of which has been overturned by the Supreme Court. He has joined in, concurred in, more than 400 opinions in the last 5 years, likewise which have not been overturned by the Supreme Court.

I make the point because it is absurd to argue that a judge with such an exemplary record serving at the highest levels of the Federal judiciary, just below the Supreme Court, is undeserving of confirmation because of his judicial philosophy, as his opponents allege.

Beyond the matter of Bork's impeccable record, impressive record, extraordinary record—probably a unique record—it is important to dispel some of the misleading arguments made by the partisan groups attacking his positions in various critical areas of the law.

I want to focus this evening on the charges about Robert Bork's hostility to the first amendment, which charges are nothing more than rubbish.

Seizing upon an article Judge Bork wrote 16 years ago exploring a theoretical approach to first amendment issues, the opponents claim that Bork has an unacceptably narrow view of free speech rights. Once again, however, these criticisms are refuted fully by the observable facts of Bork's established judicial record. Bork has written major opinions in the D.C. Circuit which reflect exceptional sensitivity to the first amendment. These opinons are flatly incompatible to charges that his judicial philosophy gives short shrift to civil liberty and free speech in particular.

Madam President, in Ollman versus Evans and Novak, Bork wrote a concurrent opinion which extended novel first amendment protection to journalistic opinion. The issue was whether a newspaper column's critical characterizations of a Marxist professor were privileged opinion entitled to constitutional protection against liable suits. Judge Bork held that they were, and stressed that preservation of first amendment freedom sometimes requires a flexible judicial approach to contemporary situations.

Bork's opinion in Ollman was praised by the New York Times. Hear that, opponents who suggest that Bork is unfriendly to free speech.

Bork's opinion in Ollman was praised by the New York Times, and the Washington Post. Hear that, likewise. Both the Washington Post and the New York Times praised one of the two principal decisions which Bork was involved in that bore directly on free speech.

In fact, in one of the few cases where they differed while on the U.S. Court of Appeals, Antonin Scalia sharply dissented against Bork's conclusions as an unwarranted expansion of the first amendment theory.

So the man we confirmed by unanimous vote of 98 to nothing less than a year ago disagreed with Judge Bork in the Ollman decision which was about free speech. Bork was praised by the Washington Post and the New York Times for the correctness of his decision. Scalia dissented from Bork and we nonetheless, and rightly so, confirmed Scalia by 98 to 0.

Significantly, during Judge Scalia's confirmation hearings for the Supreme Court, the senior Senator from Massachusetts pointedly noted that Scalia had taken a more restrictive view of first amendment liberties there than Bork did. Yet, now the tune has changed, and Judge Bork, who was the hero of Ollman, is suddenly portrayed as one who is suspect in the area of free speech. It has become apparent that these charges against Bork have little to with the facts and everything to do with partisan political considerations.

In another key first amendment case, Judge Bork held that the Washington Metro's refusal to accept a poster harshly critical of the Reagan administration for display in subway stations was an unconstitutional prior restraint. The poster in question was a crude depiction of the President and other administration officials seated at a table full of food and appearing to laugh at underprivileged bystanders. Even though Metro had rejected the poster for violating Metro's guidelines with respect to deceptive advertisement, Judge Bork stressed that "the thumb of the court should be on the speech side of the scales." He held that any prior restraint of political messages on the basis of alleged deceptiveness is unconstitutionally overbroad.

So there are the two most important cases bearing on the first amendment, bearing on free speech, in which Bork has participated, and in both cases he was the hero; and in one case, in Ollman, he was cited as a hero by the Washington Post and the New York Times.

So it is clear from this record as a judge that he is very strong, indeed, on maintaining the sanctity and the strength of first amendment rights. The case of Ollman and the Metro poster case are the proof for those who want to look beyond political demagoguery and look at his decisions, look at his performance, look at his record, which is spotless as a judge.

I point out again that in over 100 decisions which he authored, he has been upheld every time by the Supreme Court—every time such decisions have been appealed. He has never been overruled by the Supreme Court.

When Judge Bork has rejected expansive claims in this area, the correctness of his rulings likewise has been borne out. A major case in point was Community for Creative Nonviolence versus Watt. In that case, a majority of the D.C. Circuit reached the curious conclusion that sleeping overnight in Lafayette Park constituted "protected speech," and therefore the Park Service was barred from enforcing its regulations against abuse of the parks. But Judge Bork joined Judge Scalia in dissenting. They said that the majority's decision "stretch(es) the Constitution not only beyond its meaning but beyond reason, and

beyond the capacity of any legal system to accommodate."

So, in that case, he was on the other side of the fence, if you will. He felt that the majority, themselves, were overbroad in interpreting the first amendment. So, what happened? Did the Supreme Court stomp on Judge Bork's opinion? Not at all. By a vote of seven to two, the Court agreed with Scalia and Bork and reversed the D.C. Circuit Court ruling that sleeping in the park was free speech. Interestingly, Judge Powell, whose regulation created the vacancy for which Robert Bork is being considered, sided with the Bork view, as he almost always has, in reviewing D.C. Circuit Court rulings.

So, when Bork was in the majority on first amendment rights, he was upheld by the Supreme Court. When he was in the minority on first amendment rights, he was upheld by the Supreme Court. A spotless, flawless, perfect record; a 1,000 batting average for Robert Bork.

Yet, there are some who, without any substance, without any basis, claim that he is weak on first amendment rights. The record proves the critics wrong, for those who want to look at the record.

As in other areas of the law, Judge Bork combines sound constitutional principles with good common sense to reach just and correct resolution of first amendment disputes.

I urge my colleagues to consider these realities against the distortions, dishonest distortions, of Judge Bork's record being spread by his opponents. This is a judge with a proven record of reaching correct legal decisions in over 400 cases. This is a record second to none. This is a judge whose judicial record is nearly a perfect match for an outstanding Supreme Court Justice whose confirmation we unanimously approved about a year ago—speaking of Scalia. "He looks like Scalia," to use the phrase of the chairman of the Judiciary Committee. He looks like Scalia. The record proves he looks like Scalia. The records are almost identical. We confirmed Scalia by 98 to 0, less than a year ago.

Mr. President, these are the kinds of relevant and objective facts we must focus upon if we are to have a fair and reasonable confirmation process—fair and reasonable. Is that too much to ask? Can we have fairness and responsibility instead of demagoguery? I think it is not too much to ask.

There are those who claim that Bork is an extremist. His record proves that he is not. He looks like Scalia. Was Scalia an extremist? Are Senators prepared to admit that they confirmed to the Supreme Court, by a vote of 98 to 0, a man who was an extremist—Scalia?

Their records are almost identical on the D.C. Circuit Court, where they both served. Are Senators, likewise, prepared to admit that those of us in 1982, those who were here then—including the chairman of the Judiciary Committee, including the senior Senator from Massachusetts—those who, with the chairman of the committee, have been the leading vocal opponents of Bork—are we willing to say that in 1982, when confirming Bork, after careful scrutiny, we confirmed an extremist by unanimous vote?

Is that what the Senate is asking the American people to believe? It is preposterous. If Robert Bork was an extremist, was the ogre his opponents portray him to be, he would not have been confirmed by a unanimous vote 5 years ago to the second-most important court in this country, and neither would he have been confirmed as Solicitor General, a prior post he held, the third highest post in the Justice Department.

Mr. President, all the nominee wishes for, I am sure, and all the President hopes and wishes for is fairness and reasonableness. I think that if we have those things, it will be clear that Robert Bork looks a lot like Scalia. I would hope that the chairman, who said that, on that basis, he would vote to confirm, notwithstanding all the pressure of the special interest groups which play a part in the selection of the Democratic nominee for President, would vote to confirm. I hope that ultimately the chairman and every Member of this body will vote to confirm Judge Bork, assuming that nothing untoward is turned up in the hearings. There is always that possibility, and we should keep an open mind. As Members can tell, I am inclined to support Judge Bork, but I have not committed. As a member of the Judiciary Committee, I think I should remain openminded, at least until after the hearings, and I intend to do so. One never knows what might come up. But if there is anything untoward, it has never been discovered, either in his record as a member of the D.C. Court or in the confirmation process for that position or in the confirmation process for the post of Solicitor General.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. GRAHAM). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

BICENTENNIAL MINUTE

AUGUST 4, 1789: ESTABLISHMENT OF THE DEPARTMENT OF WAR

Mr. DOLE. Mr. President, 198 years ago today, on August 4, 1789, the Senate approved legislation to establish the third of the three original executive branch agencies: the Department of War. Under the "Articles of Confederation," the seeds of the future War Department had been planted and cultivated by Henry Knox, a distinguished Revolutionary War commander. In September 1789, the Senate confirmed Knox as the first Secretary of War.

With a personal staff of only two clerks, Knox supervised the Nation's two armories, in Springfield, MA, and Harper's Ferry, VA, while maintaining a well-regulated militia in support of a small 560-man Regular Army. The War Department's administrative structure consisted of a quartermaster's section, a fortifications branch, a paymaster, an inspector general, and an Indian office. By 1800, as the Federal Government moved to its new Capitol in Washington, the task of governing the military affairs of the entire Nation had overwhelmed the original tiny staff, and the number of department personnel had expanded to 80.

The young War Department was plagued by mismanagement, failure, and incompetence. Following a 1791 Indian victory over Federal forces, a congressional investigating committee blamed improper organization, and a lack of troop training and discipline, for the embarrassing defeat. In 1794, Secretary Knox resigned, distracted by the burden of his wife's gambling debts and undercut by President Washington, who considered military affairs as his own personal area of expertise. During the following century and a half, the War Department was headed by such notable national figures as James Monroe, John C. Calhoun, Jefferson Davis, and William Howard Taft. Under the 1947 "National Security Act", the old War Department was merged with the Navy Department to create the new Department of Defense.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Ms. Emery, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session, the Presiding Officer laid before the Senate messages from the President of the United States submitting a treaty, which was referred to the appropriate committees.

(The treaty received today is printed at the end of the Senate proceedings.)

ANNUAL REPORT OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—MESSAGE FROM THE PRESIDENT—PM 58

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, together with an accompanying report; which was referred to the Committee on Banking, Housing, and Urban Affairs:

To the Congress of the United States:

Pursuant to the requirements 42 U.S.C. 3536, I hereby transmit the Twenty-second Annual Report of the Department of Housing and Urban Development, which covers calendar year 1986.

RONALD REAGAN.

THE WHITE HOUSE, *August 4, 1987.*

ANNUAL REPORT OF THE SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION—MESSAGE FROM THE THE PRESIDENT—PM 59

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, together with an accompanying report; which was referred to the Committee on Environment and Public Works:

To the Congress of the United States:

Pursuant to the requirements of Section 10 of the Saint Lawrence Seaway Act of May 13, 1954, I hereby transmit the Saint Lawrence Seaway Development Corporation's Annual Report for 1986.

RONALD REAGAN.

THE WHITE HOUSE, *August 4, 1987.*

MESSAGES FROM THE HOUSE

At 2:36 p.m., a message from the House of Representatives, delivered by Mr. Berry, one of its reading clerks, announced that the House agrees to the amendments of the Senate to the following bill:

H.R. 318. An act to provide for the restoration of Federal recognition to the Ysleta del Sur Pueblo and the Alabama and Coushatta Indian Tribes of Texas, and for other purposes.

The message also announced that the House agrees to the amendment of the Senate to the following bills:

H.R. 348. An act to amend title 39, United States Code, to extend to certain officers and employees of the U.S. Postal Service the same procedural and appeal rights with respect to certain adverse personnel actions as are afforded under title 5, United States Code, to Federal employees in the competitive service;

H.R. 921. An act to require the Secretary of the Interior to conduct a study to determine the appropriate minimum altitude for aircraft flying over national park system units; and

H.R. 1403. An act to designate the U.S. Post Office Building located in St. Charles, IL, as the "John E. Grotberg Post Office Building.

The message further announced that the House has passed the following bills, in which it requests the concurrence of the Senate:

H.R. 1948. An act to designate the U.S. Post Office Building located at 153 East 110th Street in New York, NY, as the "Oscar Garcia Rivera Post Office Building";

H.R. 2309. An act to provide that certain lands shall be in trust for the Pechanga Band of Luiseno Mission Indians of the Perchanga Reservation, CA;

H.R. 2629. An act to amend the Alaska National Interest Lands Conservation Act of 1980 to clarify the conveyance and ownership of submerged lands by Alaska Natives, Native Corporations and the State of Alaska;

H.R. 2937. An act to make miscellaneous technical and minor amendments to laws relating to Indians, and for other purposes; and

H.R. 2957. An act to provide for improvements in the National Cemetery System administered under title 38, United States Code, and for other purposes.

ENROLLED BILLS SIGNED

At 4:08 p.m., a message from the House of Representatives, delivered by Mr. Berry, one of its reading clerks, announced that the Speaker has signed the following enrolled bills:

H.R. 348. An act to amend title 39, United States Code, to extend to certain officers and employees of the U.S. Postal Service the same procedural and appeal rights with respect to certain adverse personnel actions as are afforded under title 5, United States Code, to Federal employees in the competitive service;

H.R. 1403. An act to designate the U.S. Post Office Building located in St. Charles, IL, as the "John E. Grotberg Post Office Building"; and

H.R. 1444. An act to amend titles XI, XVIII, and XIX of the Social Security Act to protect beneficiaries under the health care programs of that act from unfit health care practitioners, and otherwise to improve the antifraud provisions relating to those programs.

The enrolled bills were subsequently signed by the President pro tempore (Mr. STENNIS).

At 5:01 p.m., a message from the House of Representatives, delivered by Ms. Goetz, one of its reading clerks, announced that the House disagrees to the amendments of the Senate to the joint resolution (H.J. Res. 324) increasing the statutory limit on the public debt; it agrees to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and appoints the following as managers of the conference on the part of the House:

From the Committee on Ways and Means: Mr. Rostenkowski, Mr. Gibbons, Mr. Pickle, Mr. Rangel, Mr. Stark, Mr. Jacobs, Mr. Jenkins, Mr. Russo, Mr. Matsui, Mr. Duncan, Mr. Archer, Mr. Crane, Mr. Schulze, and Mr. Thomas of California.

From the Committee on Appropriations: Mr. Whitten, Mr. Smith of Iowa, Mr. Murtha, Mr. Traxler, Mr. Edwards of Oklahoma, and Mr. Lewis of California.

From the Committee on Rules: Mr. Pepper, Mr. Moakley, Mr. Derrick, Mr. Beilenson, Mr. Frost, Mr. Latta, and Mr. Lott.

From the Committee on Government Operations: Mr. Brooks, Mr. Conyers, Mr. Waxman, Mr. Synar, Mr. Horton, and Mr. Walker.

From the Committee on the Budget: Mr. Gray of Pennsylvania, Mr. Leath of Texas, Mr. Williams, Mr. Wolpe, Mr. Gradison, and Mr. Mack.

Appointed as additional conferees: Mr. Foley, Mr. Ford of Michigan, Mr. Obey, Mr. Aspin, Ms. Oakar, Mr. Panetta, Mr. Fazio, Mr. MacKay, Mr. Frenzel, Mr. Regula, Mr. Gregg, Mrs. Martin of Illinois, and Mrs. Johnson of Connecticut.

The message also announced that the House has passed the following bill, without amendment:

S. 769. An act to provide grants to support excellence in minority health professions education.

The message further announced that the House has passed the following bills, in which it requests the concurrence of the Senate:

H.R. 1340. An act to improve the distribution procedures for agricultural commodities and their products donated for the purposes of assistance through the Department of Agriculture, and for other purposes; and

H.R. 2672. An act to amend title 38, United States Code, for the purpose of improving veterans' housing programs.

MEASURES REFERRED

The following bills were read the first and second times by unanimous consent, and referred as indicated:

H.R. 1948. An act to designate the United States Post Office Building located at 153 East 110th Street in New York, New York as the "Oscar Garcia Rivera Post Office Building"; to the Committee on Governmental Affairs.

H.R. 2615. An act to provide that certain lands shall be in trust for the Pechanga Band of Luiseno Mission Indians of the Perchanga Reservation, California; to the Committee on Energy and Natural Resources.

H.R. 2629. An act to amend the Alaska National Interest Lands Conservation Act of 1980 to clarify the conveyance and ownership of submerged lands by Alaska Natives, Native Corporations and the State of Alaska; to the Committee on Energy and Natural Resources.

H.R. 2672. An act to amend title 38, United States Code, for the purpose of improving veterans' housing programs; to the Committee on Veterans' Affairs.

H.R. 2937. An Act to make miscellaneous technical and minor amendments to laws relating to Indians, and for other purposes; to the Select Committee on Indian Affairs.

H.R. 2957. An act to provide for improvements in the National Cemetery System administered under title 38, United States Code, and for other purposes; to the Committee on Veterans' Affairs.

MEASURES PLACED ON THE CALENDAR

The following bill and joint resolution were read the second time and placed on the calendar:

H.R. 1994. An act to amend the boundaries of Stones River National Battlefield, Tennessee, and for other purposes; and

H.J. 216. Joint resolution to support a ceasefire in the Iran-Iraq war and a negotiated solution to the conflict.

The following bills were read the first and second times by unanimous consent, and placed on the calendar:

H.R. 1340. An act to improve the distribution procedures for agricultural commodities and their products donated for the purposes of assistance through the Department of Agriculture, and for other purposes; and

H.R. 2309. An act to amend the Christopher Columbus Quincentenary Jubilee Act;

REPORTS OF COMMITTEES SUBMITTED DURING ADJOURNMENT

Under the authority of the order of the Senate of August 3, 1987, the following report was submitted on August 3, 1987, during the adjournment of the Senate:

By Mr. KENNEDY, from the Committee on Labor and Human Resources:

Report to accompany the bill (S. 1542) to provide financial assistance for a program of comprehensive child development centers, and for other purposes (Rept. No. 100-141).

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. HOLLINGS, from the Committee on Commerce, Science, and Transportation, with an amendment in the nature of a substitute:

S. 1048: A bill to amend the Communications Act of 1934 to provide authorization of appropriations for the Federal Communications Commission, and for other purposes (Rept. No. 100-142).

By Mr. HOLLINGS, from the Committee on Commerce, Science, and Transportation, with an amendment in the nature of a substitute and an amendment to the title:

H.R. 812: A bill to amend the Stevenson-Wydler Technology Innovation Act of 1980 to establish a National Quality Improvement Award, with the objective of encouraging American business and other organizations to practice effective quality control in the provision of their goods and services (Rept. No. 100-143).

By Mr. METZENBAUM (for Mr. KENNEDY), from the Committee on Labor and Human Resources, with an amendment in the nature of a substitute:

S. 945: A bill to require the Secretary of Health and Human Services to make grants to local governments for demonstration projects to provide respite home and other assistance for infants abandoned in hospitals, and for other purposes.

By Mr. GLENN, from the Committee on Governmental Affairs, without amendment:

S. 1194: A bill to transfer jurisdiction over certain lands in Bernalillo County, NM, from the General Services Administration to the Veterans' Administration.

EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. NUNN, from the Committee on Armed Services:

H. Lawrence Garrett III, of Virginia, to be Under Secretary of the Navy.

(The above nomination was reported with the recommendation that it be confirmed, subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

By Mr. BURDICK, from the Committee on Environment and Public Works:

Kenneth C. Rogers, of New Jersey, to be a member of the Nuclear Regulatory Commission for the term of 5 years expiring June 30, 1992.

(The above nomination was reported with the recommendation that it be confirmed, subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. MATSUNAGA:

S. 1588. A bill for the relief of Vasikaran Ratnarajah; to the Committee on the Judiciary.

By Mr. BREAUX:

S. 1589. A bill for the relief of LeRoy Sylestine, Chairman of the Tribal Council of the Coushatta Tribe of Louisiana, and all other enrolled members of the Coushatta Tribe of Louisiana; to the Committee on the Judiciary.

By Mr. MURKOWSKI:

S. 1590. A bill to ensure American control of certain vessels engaged in processing of fish within the United States Exclusive Economic Zone; to the Committee on Commerce, Science, and Transportation.

By Mr. D'AMATO:

S.J. Res. 183. A joint resolution establishing a moratorium on the prepayment of certain mortgages insured under the National Housing Act or assisted under such act; to the Committee on Banking, Housing, and Urban Affairs.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. MURKOWSKI:

S. 1590. A bill to ensure American control of certain vessels engaged in processing of fish within the U.S. exclusive economic zone; to the Committee on Commerce, Science, and Transportation.

PROCESSING OF FISH WITHIN THE UNITED STATES EXCLUSIVE ECONOMIC ZONE

● Mr. MURKOWSKI. Mr. President, the U.S. fishing and fish processing industries have made great strides in the recent past. We have come far along the road to the fully Americanized seafood industry visualized by those who led the passage of the Magnuson Fishery Conservation and Management Act, including my good friend and colleague Senator STEVENS, the senior Senator from Alaska.

I rise today to introduce legislation that will help to assure continued progress toward that same goal.

Only a few years ago, much of the vast U.S. fishery resources were being harvested by foreign nations. These countries were only too happy to take advantage of the U.S. inability either to catch or to process its own resources. As a result, they were able to take billions of pounds of fish each year.

Ironically, most of what they harvested were bottom-dwelling fish such as Alaska pollock and Pacific cod, and we often found ourselves in the position of buying back our own fish, after foreign fishermen, processors, transporters, and reprocessors all had profited from it.

The Fishery Conservation and Management Act began to change that sad state of affairs by providing the domestic industry with preferential rights to the harvesting and processing of domestic resources. We have now reached the point where our resources are almost entirely harvested by American fishermen, and are rapidly moving toward the same state in the processing sector.

As an illustration of how rapidly this has occurred, let me call attention to the fact that as recently as 1982 only 2 percent of the fish harvested in this country's rich fishing grounds off Alaska were caught and processed by the domestic industry. This year, it was the foreign fleets that were allocated just 2½ percent of the total; 69 percent was allocated to American fishermen working in joint ventures with foreign processors, and a full 28 percent was scheduled to be both caught and processed by Americans.

We must recognize, however, that despite our progress toward using American boats and processing plants, practical control over a large portion of the American industry remains in the hands of foreign firms. Japanese companies especially hold a substantial—even overwhelming—interest in many U.S. companies. The purpose of such investment has been to provide for stability in the cost of American products to Japan, and it has worked splendidly.

Now, with the U.S. industry's operating capacity expanding rapidly, it is time to take steps to ensure that control over certain aspects of the expansion remain in U.S. hands.

The bill I am introducing today will accomplish this. It is directed toward at-sea processing ships, which form the most rapidly growing sector in the industry and the most likely target for future takeovers. These vessels include both mother ships supplied by catcher boats, and trawler processors which catch most of their own raw material.

Mr. President, the need for legislation of this type is amply illustrated

by what happened just a few days ago when an application was submitted to reflag three large Korean fish processing vessels under exactly the circumstances we are trying to prevent. Although title to these vessels may be in the name of an American company, control clearly is not. Worse, these vessels are large enough by themselves to make a significant dent in the amount of U.S. bottom fish available to U.S. processors.

This is a blatant attempt to get around the intent of the Magnuson Act, and I for one find it extremely objectionable. One way of avoiding this is quick action to prohibit the reflagging of fish processing vessels, and I wholeheartedly support doing so. In fact, I am today offering, in addition to this bill, an amendment which I hope will allow S. 377, which directly addresses reflagging, to go forward more quickly.

Mr. President, one cannot turn the clock backward, and the legislation I am introducing today avoids punitive restraints on existing companies. It will, however, require that controlling interest in new at-sea processing vessels be held by American citizens or by corporations that are under American control.

Section 1 of the bill prohibits any fish processing vessel from operating within the U.S. exclusive economic zone unless the controlling interest in the vessel is owned by U.S. citizens or is owned by a corporation or other company in which controlling interest is held by U.S. citizens.

Only two exceptions are allowed. The first allows existing foreign-controlled vessels to continue operating as long as they have been used continuously by the same company since before January 1, 1987. The second applies only in cases where a foreign lender has agreed to finance an American-controlled company's purchase, and retains an equity interest in the vessel until the loan is paid.

Section 2 of the bill calls upon the Secretary of Commerce to review and report to Congress on the effect this legislation has had on the number of foreign-controlled fish processing vessels operating in U.S. waters.

Finally, section 3 defines what is meant by the terms "fish processing vessel," and controlling interest. In reference to the latter, it is my intention to ensure a clear understanding that, before controlling interest is considered to exist, several conditions must be met. These include American citizen ownership of a majority of a company's stock, an American-held majority of the voting power within the corporate structure, and an absence of any other circumstances that could lead to control of the company by any foreign entity.

This bill represents a careful, deliberately cautious approach to promoting the goal of the Magnuson Act to Americanize our fisheries, and I urge my colleagues to support this legislation.

Mr. President, I ask unanimous consent that the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1590

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) notwithstanding any other provision of law, a fish processing vessel is prohibited from operating in the waters of the United States Exclusive Economic Zone unless—

(1) the controlling interest in such vessel is owned by an individual or individuals who are citizens of the United States or by a corporation, partnership, or other entity with respect to which the controlling interest therein is owned by an individual or individuals who are citizens of the United States; or

(2) such vessel—

(A) has been used continuously as a fish processing vessel in the waters of the United States Exclusive Economic Zone from January 1, 1987, to the date of enactment of this Act; and

(B) the controlling interest in such vessel was continuously held by the same individual or individuals, or by the same corporation, partnership, or other entity, from January 1, 1987, to the date of the enactment of this Act; or

(3) such vessel was purchased by an individual or individuals who are citizens of the United States, or by a corporation, partnership, or other entity with respect to which the controlling interest therein is owned by an individual or individuals who are citizens of the United States, for use in the United States Exclusive Economic Zone as a fish processing vessel pursuant to a financing agreement in effect on January 1, 1987.

(b) The exemption of a vessel under clause (2) of subsection (a) shall cease at such time as such controlling interest in any such vessel ceases to be continuously held by such individual, individuals, corporation, partnership, or entity.

SEC. 2. The Secretary of Commerce shall study and review the effectiveness of this Act in reducing the number of fish processing vessels within the United States Exclusive Economic Zone during the 12-month period following the date of the enactment of this Act the controlling interest of which is not owned by United States citizens. On or before the expiration of the 15-month period following such date of enactment, the Secretary of Commerce shall report to the Congress the results of such study and review, together with his or her recommendations.

SEC. 3. As used in this Act, the term—

(1) "fish processing vessel" means a vessel that commercially prepares fish or fish products other than by gutting, decapitating, gilling, skinning, shucking, icing, freezing, or brine chilling; and

(2) "controlling interest" has the same meaning as used in section 2(b) of the Shipping Act of 1916 (46 U.S.C. 802(b)).●

By Mr. D'AMATO:

S.J. Res. 183. Joint resolution establishing a moratorium on the prepayment of certain mortgages insured under the National Housing Act or assisted under such act; to the Committee on Banking, Housing, and Urban Affairs.

TENANT BILL OF RIGHTS

● Mr. D'AMATO. Mr. President, I rise today to introduce legislation addressing a volatile and complicated issue affecting low-income tenants and low- and moderate-income housing management in this country. This legislation is intended to protect tenants and promote the long-term availability of affordable housing to low-income individuals.

The past few months have been difficult. Over 5,000 section 515 farmer's home units have become available for prepayment. Congress has been forced to further extend a moratorium on these prepayments in order to develop a feasible, long-term plan for low-income housing in this country.

This bill proposes that a temporary moratorium be placed on prepayments of certain HUD mortgages. Specifically, the moratorium would apply to 221(d)(3) market rate projects constructed with rent subsidy and/or converted to section 8 low management set-aside, 221(d)(5) projects, and 236 projects that are insured and not insured by HUD. The moratorium will terminate on January 1, 1989, providing 1½ years for Congress to address the prepayment problem in a thorough and productive manner. I do not envision the moratorium to be a long-term solution to this problem. However, in light of the current need for a temporary solution, some protection must be provided for low-income tenants.

Prepayment and "opting out" by owners of a variety of HUD programs poses a significant problem. The prepayment of HUD mortgages may subject low-income tenants to the whim of project owners. For some tenants, displacement and relocation are a very real threat. Many communities have very little housing available for tenant relocation.

The prepayment of these mortgages also has serious consequences for owners of these projects. Owners of projects, who have lived up to a 20-year agreement with the Federal Government, may be forced to renegotiate their contracts with the Government. Breaking these contracts could tie up owners and the Federal Government in court for an indefinite period of time. Unfortunately, low-income individuals are the ones who would most suffer if investment in low-income housing becomes unattractive.

Further, such prepayment has a very real impact upon the preservation and maintenance of our current housing stock. Tax reform and a major reduction in Federal spending have brought housing production to a virtual halt. The threat of the loss of al-

ready existing low-income housing is overwhelming. Long waiting lists for low-income housing in cities around the country already exist.

In view of the complexity of this issue, as well as the number of units and individuals affected by the prepayment issue, it would be unwise for Congress to act rashly. A quick-fix solution to this problem could be devastating for low-income tenants and project owners.

In addition, no one knows exactly which projects will or are likely to prepay in the near future. No one knows how many units could be lost from our low-income housing stock. No one knows how many low-income tenants will be affected by prepayments. We simply do not have enough specific information at this point.

Two task forces, representing all parties involved, are presently looking into solutions for the prepayment problem. They expect to complete their studies by the end of this year, the exact point at which Senator CRANSTON and I will be working on major, all-encompassing housing legislation. It would only be wise for Congress to wait until this time in order to address the prepayment problem in a well thoughtout, long-term manner. We will then have a clear idea of how best to approach the problem.

As ranking Republican on the Subcommittee on Housing and Urban Affairs, I am committed to ensuring that this Nation has long-term, permanent housing for low-income individuals. I am hopeful that this legislation will provide a necessary intermediate step in achieving this goal.●

ADDITIONAL COSPONSORS

S. 248

At the request of Mr. LAUTENBERG, the name of the Senator from Michigan [Mr. RIEGLE] was added as a cosponsor of S. 248, a bill to amend title 10, United States Code, to permit members of the Armed Forces to wear, under certain circumstances, items of apparel not part of the official uniform.

S. 567

At the request of Mr. DECONCINI, the name of the Senator from Virginia [Mr. TRIBLE] was added as a cosponsor of S. 567, a bill to clarify the circumstances under which territorial provisions in licenses to distribute and sell trademarked malt beverage products are lawful under the antitrust laws.

S. 945

At the request of Mr. METZENBAUM, the names of the Senator from Massachusetts [Mr. KENNEDY], the Senator from Utah [Mr. HATCH], the Senator from Indiana [Mr. QUAYLE], the Senator from Connecticut [Mr. DODD], and the Senator from Illinois [Mr. SIMON] were added as cosponsors of S. 945, a bill to require the Secretary of Health and Human Services to make grants to local governments for demonstration projects to provide respite home and other assistance for infants abandoned in hospitals, and for other purposes.

S. 1059

At the request of Mr. MOYNIHAN, the name of the Senator from Arkansas [Mr. BUMPERS] was added as a cosponsor of S. 1059, a bill to terminate the application of certain Veterans' Administration regulations relating to transportation of claimants and beneficiaries in connection with Veterans' Administration medical care.

S. 1203

At the request of Mr. GRASSLEY, the names of the Senator from Colorado [Mr. ARMSTRONG] and the Senator from Louisiana [Mr. JOHNSTON] were added as cosponsors of S. 1203, a bill to amend title 22, United States Code, to make unlawful the establishment or maintenance within the United States of an office of the Palestine Liberation Organization, and for other purposes.

At the request of Mr. LAUTENBERG, the name of the Senator from Pennsylvania [Mr. HEINZ] was added as a cosponsor of S. 1203, supra.

S. 1345

At the request of Mr. D'AMATO, his name was added as a cosponsor of S. 1345, a bill to allow the National Association of State Racing Commissioners, State racing commissions and regulatory authorities that regulate parimutuel wagering to receive and share Federal Government criminal identification records.

S. 1346

At the request of Mr. MATSUNAGA, the name of the Senator from Wisconsin [Mr. PROXMIRE] was added as a cosponsor of S. 1346, a bill to amend the National Labor Relations Act to give employers and performers in the performing arts rights given by section 8(e) of such act to employers and employees in similarly situated industries, to give employers and performers in the performing arts the same rights given by section 8(f) of such act to employers and employees in the construction industry, and for other purposes.

S. 1365

At the request of Mr. CRANSTON, the name of the Senator from South Carolina [Mr. HOLLINGS] was added as a cosponsor of S. 1365, a bill to amend title 38, United States Code, to establish presumptions of service connection for certain diseases of former prisoners of war.

S. 1369

At the request of Mr. ROCKEFELLER, the name of the Senator from Michigan [Mr. RIEGLE] was added as a cosponsor of S. 1369, a bill to strengthen the technological literacy of the Nation through demonstration programs of technology education.

S. 1382

At the request of Mr. METZENBAUM, the name of the Senator from Indiana [Mr. LUGAR] was added as a cosponsor of S. 1382, a bill to amend the National Energy Conservation Policy Act to improve the Federal Energy Management Program, and for other purposes.

S. 1397

At the request of Mr. CRANSTON, the name of the Senator from Mississippi [Mr. COCHRAN] and the Senator from Ohio [Mr. METZENBAUM] were added as cosponsors of S. 1397, a bill to recognize the organization known as the Non-Commissioned Officers Association of the United States of America.

S. 1437

At the request of Mr. D'AMATO, his name was added as a cosponsor of S. 1437, a bill to make certain members of foreign diplomatic missions and consular posts in the United States subject to the criminal jurisdiction of the United States with respect to crimes of violence.

S. 1453

At the request of Mr. HEINZ, the name of the Senator from Maryland [Ms. MIKULSKI] was added as a cosponsor of S. 1453, a bill to amend the Disaster Relief Act of 1974 to provide for more effective assistance in response to major disasters and emergencies, and for other purposes.

S. 1464

At the request of Mr. CRANSTON, the name of the Senator from Pennsylvania [Mr. SPECTER] was added as a cosponsor of S. 1464, a bill to amend title 38, United States Code, to provide eligibility to certain individuals for beneficiary travel payments in connection with travel to and from Veterans' Administration facilities.

S. 1475

At the request of Mr. MELCHER, the name of the Senator from Alabama [Mr. SHELBY] was added as a cosponsor of S. 1475, a bill to establish an effective clinical staffing recruitment and retention program, and for other purposes.

S. 1484

At the request of Mr. GRASSLEY, the names of the Senator from Nevada [Mr. HECHT], the Senator from Tennessee [Mr. GORE], the Senator from Montana [Mr. BAUCUS], the Senator from Mississippi [Mr. COCHRAN], and the Senator from North Dakota [Mr. CONRAD] were added as cosponsors of S. 1484, a bill to provide permanent authorization for White House Conferences on Rural Development and the Family Farm.

S. 1490

At the request of Mr. SARBANES, the name of the Senator from Oklahoma [Mr. BOREN] was added as a cosponsor of S. 1490, a bill to designate certain

employees of the Librarian of Congress as police, and for other purposes.

S. 1511

At the request of Mr. MOYNIHAN, the name of the Senator from Hawaii [Mr. INOUYE] was added as a cosponsor of S. 1511, a bill to amend title IV of the Social Security Act to replace the AFDC program with a comprehensive program of mandatory child support and work training which provides for transitional child care and medical assistance, benefits improvement, and mandatory extension of coverage to two-parent families, and which reflects a general emphasis on shared and reciprocal obligation, program innovation, and organizational renewal.

S. 1576

At the request of Mr. HELMS, the name of the Senator from Idaho [Mr. SYMMS] was added as a cosponsor of S. 1576, a bill to amend the Internal Revenue Code of 1986 to repeal the income taxation of corporations, to impose a 10 percent tax on the earned income (and only the earned income) of individuals, to repeal the estate and gift taxes, and for other purposes.

S. 1587

At the request of Mr. D'AMATO, the name of the Senator from Idaho [Mr. SYMMS] was added as a cosponsor of S. 1587, a bill to authorize the minting of commemorative coins to support the training of American athletes participating in the 1988 Olympic Games.

SENATE JOINT RESOLUTION 53

At the request of Mr. CRANSTON, the names of the Senator from Arizona [Mr. MCCAIN], the Senator from Nebraska [Mr. KARNES], the Senator from Alabama [Mr. HEFLIN], the Senator from Washington [Mr. ADAMS], the Senator from Indiana [Mr. QUAYLE], and the Senator from Utah [Mr. GARN] were added as cosponsors of Senate Joint Resolution 53, a joint resolution to designate the period commencing November 22, 1987, and ending November 28, 1987, as "American Indian Week."

SENATE JOINT RESOLUTION 171

At the request of Mr. CRANSTON, the names of the Senator from Alaska [Mr. STEVENS], the Senator from Maryland [Ms. MIKULSKI], and the Senator from Ohio [Mr. GLENN] were added as cosponsors of Senate Joint Resolution 171, a joint resolution designating the week beginning November 8, 1987, as "National Women Veterans Recognition Week."

SENATE JOINT RESOLUTION 173

At the request of Mr. REID, the name of the Senator from New Mexico [Mr. DOMENICI] was added as a cosponsor of Senate Joint Resolution 173, a joint resolution to commemorate the 200th anniversary of the signing of the United States Constitution.

SENATE JOINT RESOLUTION 175

At the request of Mr. TRIBLE, the names of the Senator from Missouri [Mr. DANFORTH], the Senator from Illinois [Mr. DIXON], the Senator from Nebraska [Mr. EXON], the Senator from Utah [Mr. HATCH], the Senator from Alabama [Mr. SHELBY], the Senator from Pennsylvania [Mr. SPECTER], and the Senator from Vermont [Mr. STAFFORD] were added as cosponsors of Senate Joint Resolution 175, a joint resolution to recognize the efforts of the United States Soccer Federation in bringing the World Cup to the United States in 1994.

SENATE RESOLUTION 219

At the request of Mr. DASCHLE, the name of the Senator from North Carolina [Mr. SANFORD] was added as a cosponsor of Senate Resolution 219, a resolution expressing the sense of the Senate with respect to the use of ethanol, methanol, and other oxygenated fuels as an accepted air pollution control strategy in nonattainment areas designed by the Environmental Protection Agency.

SENATE RESOLUTION 267

At the request of Mr. MITCHELL, the names of the Senator from Washington [Mr. ADAMS], the Senator from Montana [Mr. BAUCUS], the Senator from Texas [Mr. BENTSEN], the Senator from Delaware [Mr. BIDEN], the Senator from Oklahoma [Mr. BOREN], the Senator from Minnesota [Mr. BOSCHWITZ], the Senator from New Jersey [Mr. BRADLEY], the Senator from Louisiana [Mr. BREAUX], the Senator from Arkansas [Mr. BUMPERS], the Senator from North Dakota [Mr. BURDICK], the Senator from Rhode Island [Mr. CHAFEE], the Senator from Florida [Mr. CHILES], the Senator from California [Mr. CRANSTON], the Senator from New York [Mr. D'AMATO], the Senator from South Dakota [Mr. DASCHLE], the Senator from Arizona [Mr. DECONCINI], the Senator from Connecticut [Mr. DODD], the Senator from Kansas [Mr. DOLE], the Senator from New Mexico [Mr. DOMENICI], the Senator from Minnesota [Mr. DURENBERGER], the Senator from Washington [Mr. EVANS], the Senator from Tennessee [Mr. GORE], the Senator from Florida [Mr. GRAHAM], the Senator from Oregon [Mr. HATFIELD], the Senator from Pennsylvania [Mr. HEINZ], the Senator from New Hampshire [Mr. HUMPHREY], the Senator from Nebraska [Mr. KARNES], the Senator from Wisconsin [Mr. KASTEN], the Senator from Massachusetts [Mr. KERRY], the Senator from New Jersey [Mr. LAUTENBERG], the Senator from Michigan [Mr. LEVIN], the Senator from Hawaii [Mr. MATSUNAGA], the Senator from Ohio [Mr. METZENBAUM], the Senator from Maryland [Ms. MIKULSKI], the Senator from Alaska [Mr. MURKOWSKI], the Senator from Oregon [Mr. PACKWOOD], the Senator from Rhode Island [Mr. PELL], the Senator from South Dakota [Mr. PRESSLER], the Senator from Wisconsin [Mr. PROXMIRE], the Senator from Arkansas [Mr. PRYOR], the Senator from Indiana [Mr. QUAYLE], the Senator from Nevada [Mr. REID], the Senator from Michigan [Mr. RIEGLE], the Senator from Delaware [Mr. ROTH], the Senator from North Carolina [Mr. SANFORD], the Senator from Maryland [Mr. SARBANES], the Senator from Illinois [Mr. SIMON], the Senator from Vermont [Mr. STAFFORD], the Senator from Virginia [Mr. TRIBLE], the Senator from Virginia [Mr. WARNER], the Senator from California [Mr. WILSON], and the Senator from Colorado [Mr. WIRTH] were added as cosponsors of Senate Resolution 267, a resolution to express the sense of the Senate that Rachel Carson is recognized on the twenty-fifth anniversary of her book "Silent Spring," for her outstanding contributions to public awareness and understanding of environmental issues.

AMENDMENTS SUBMITTED

CONDITIONS FOR QUALIFICATION OF CERTAIN VESSELS UNDER THE MAGNUSON FISHERY CONSERVATION AND MANAGEMENT ACT

MURKOWSKI AMENDMENT NO. 657

(Ordered referred to the Committee on Commerce, Science, and Transportation.)

Mr. MURKOWSKI submitted an amendment intended to be proposed by him to the bill (S. 377) to impose a moritorium on the ability of foreign-built vessels to qualify for certain benefits under the Magnuson Fishery Conservation and Management Act, and for other purposes; as follows:

On the first page, strike out lines 3 through 6 and insert in lieu thereof the following: "That, notwithstanding any other provision of law, it shall be unlawful for any foreign-built vessel for which an application for United States documentation was not submitted prior to January 1, 1987, and which has not been documented under the laws of the United States prior to August 1, 1987, to engage in the processing of fish for commercial use or consumption."

● Mr. MURKOWSKI. Mr. President, I rise today to submit an amendment on the reflagging of fish processing vessels, to clarify the issue of when fish processing vessels built in foreign countries may be allowed to operate in the United States exclusive economic zone.

To help encourage the development of a healthy U.S. fishing industry, the Magnuson Act created a three-tiered priority system for fishery allocations: Fish to be both caught and processed domestically has the highest priority, followed by fish caught by U.S. fishermen for sale to foreign processors, and

finally, fish both caught and processed by foreign entities.

The priority system has been highly successful, especially in encouraging growth in the U.S. harvesting sector. Still, the lion's share of harvested fish continue to be processed, if not caught, by foreign companies and their floating processing vessels.

The domestic processing industry is just now beginning its own rapid expansion. In just the last year, the share of the harvest these companies can handle has more than tripled, from 8 to 28 percent of the total.

Unfortunately, there is a loophole in existing U.S. law that could forever eliminate this industry's ability to complete the job of Americanization. That loophole permits the owner of a foreign fish processing vessel to create a "paper" U.S. corporation under foreign control, then assign the interest in the vessel to the U.S. corporation. The newly created subsidiary can then have the vessel redocumented as a U.S. ship—the process we know as reflagging.

A reflagged ship would be fully eligible under current law for the highest priority allocation preference under the Magnuson Act. Further, because the processing capacity represented by these vessels is so great, the processing industry could undergo instant overcapitalization if mass reflaggings took place.

These vessels are also fully amortized, so even if they were to use all-American crews and U.S. packaging, fuel, food supplies, et cetera, they would still be able to offer their owners a higher rate of return than any newly financed American venture could hope to achieve, whether on shore or at-sea.

Perhaps even more important is the fact that the threat of reflagging decreases the availibility of investment capital for the expansion of our own industry. After all, what investor would put large amounts of money in a business when he knows there is an excellent chance it will never be able to pay back his investment.

When I introduced legislation on this issue late last year, and again when my distinguished colleague Senator STEVENS and I introduced S. 377 early this year, I hoped to see this issue resolved swiftly. Unfortunately, there was not enough time left before the 99th Congress adjourned, and this year a steady stream of misinformation and speculation has muddied the waters and again prevented speedy action.

The need for rapid action on this issue has recently become even more obvious, and that is why I have chosen to offer both this amendment, and a new bill requiring American control of fish processing vessels themselves.

Despite claims by opponents of the earlier bills that it would never happen, a mass reflagging attempt is indeed being made. On Monday of last week, applications were submitted to reflag four foreign vessels. Three of these ships are Korean vessels being reflagged under the name of a newly established company that just barely meets the minimum requirements for U.S. incorporation. I find that outrageous. It is nothing more than a blatant attempt to get around the purpose and intent of the Magnuson Act.

Mr. President, this amendment is offered in a spirit of compromise, to be fair to those who began in good faith to document a foreign bottom before S. 377 was introduced, and who have since completed the administrative processes and been issued U.S. documentation.

My amendment removes the retroactive provision of S. 377, and replaces it with language requiring that any vessel to be used as a fish processing vessel has to meet two conditions: It must have applied for U.S. documentation before January 1 of this year; and it must have completed the process prior to August 1.

The net effect of this change is minimal. According to the latest information available from the U.S. Coast Guard Documentation Office, it would apply to just a single vessel, the former *Estavo Gomez*, which applied for documentation last year, and received it last month. This vessel, now called the *La Poncena*, is not the type of sham operation we are trying to prevent. It is, instead, a legitimate business venture opening new markets for Alaska codfish.

There are several reasons to choose August 1 as the cutoff for the completion of the documentation process. It is both late enough so that no one can argue that they did not have enough warning, or time enough to complete the process, and early enough to prevent the sort of last-minute, bogus attempts to escape congressional intent that occurred last week.

Mr. President, this is a clean, simple, and fair approach to resolving this problem. We need to act right away, before we have a flood of bogus ventures to deal with, and before any are actually given legal recognition.

Mr. President, I ask that my amendment be referred to the Senate Committee on Commerce, Science, and Transportation, for timely review as the committee moves toward mark up of S. 377.●

AUTHORITY FOR COMMITTEES TO MEET

SUBCOMMITTEE ON CONVENTIONAL FORCES AND ALLIANCE DEFENSE

Mr. BYRD. Mr. President, I ask unanimous consent the Committee on Armed Services' Subcommittee on Conventional Forces and Alliance Defense be authorized to meet during the session of the Senate on Tuesday, August 4, 1987 at 2 p.m. in closed session to receive testimony on the capabilities from the U.S. European command.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

Mr. BYRD. Mr. President, I ask unanimous consent that the full Committee on Environment and Public Works, be authorized to meet during the session of the Senate on August 4, beginning at 2:15 p.m., to mark up the Price-Anderson Act, S. 1425, a bill to authorize construction of a building for the Environmental Protection Agency, and to consider the nomination of Kenneth C. Rogers to be a member of the Nuclear Regulatory Commission.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON ANTITRUST, MONOPOLIES, AND BUSINESS RIGHTS

Mr. BYRD. Mr. President, I ask unanimous consent that the Subcommittee on Antitrust, Monopolies, and Business Rights of the Committee on the Judiciary, be authorized to meet during the session of the Senate on August 4, 1987 at 2:15 p.m., to hold a hearing on S. 567, Malt Beverage Interbrand Competition Act.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL STATEMENTS

THE GRAMM-RUDMAN-HOLLINGS "FIX"

● Mr. MOYNIHAN. Mr. President, on July 31, the Senate, by a vote of 71 to 21, approved the so-called Gramm-Rudman-Hollings "fix." However, Gramm-Rudman-Hollings is one law that cannot and should not be fixed.

During the 99th Congress I urge my colleagues first to oppose the original Gramm-Rudman-Hollings legislation and then to repeal it. I have continued this effort in the 100th Congress and have introduced legislation to repeal this law. I did so because in passing Gramm-Rudman-Hollings Congress attempted to give up its responsibility to set priorities and make decisions about Federal spending decisions.

Gramm-Rudman-Hollings rests upon several flawed premises. A series of declining deficit ceilings or targets are specified, along with a mechanism to cut spending if Congress and the President cannot agree on an appropriate fiscal plan to meet the targets. In order to force compliance with the targets, the Gramm-Rudman-Hollings law required automatic spending cuts, or "sequestration" as it is known within bureaucratic circles. The Supreme Court gave this process short

shrift, however, declaring automatic sequestration as determined by GAO to be unconstitutional. As a result of this decision, Congress and the President were required to take affirmative action in order to implement a sequester order rather than let it go into effect without so much as a single vote.

We have now had some experience with Gramm-Rudman-Hollings, including a sequester, yet the deficit targets have not been met. And they never will be. These original targets, it is apparent to all, were not realistic. They were based on inaccurate assumptions regarding U.S. economic growth. The assumptions were too optimistic as economic growth has been slower than anticipated. False economics and accounting gimmicks will not narrow the gap, and they certainly should not be the basis of a responsible Federal fiscal policy.

Mr. President, the Gramm-Rudman-Hollings "fix" adjusts the deficit targets to achievable levels. These new levels supposedly will enable Congress to meet its promises to the American people regarding deficit reduction by 1992, only 1 year later than the original promise. The specter of a new, and presumably constitutional, automatic sequester procedure is designed to force the President to accept the need for new revenues and spending cuts in areas where he has done nothing but escalate expenditures. False hopes and false promises, I regret to say.

The new deficit targets merely postpone the hard choices and difficult budget cuts until after the election. The revised Gramm-Rudman-Hollings is not a new and improved version. It will not lead to meaningful deficit reduction nor will it prompt the administration to rethink its approach to the deficit. And, most importantly, it fails to address the fundamental defect contained in the original legislation, a legitimization of Congress' and the President's abdication of their sacred oaths to govern.

Mr. President, I ask that an editorial entitled "Sham-Rudman" from the August 4, 1987, Washington Post and a copy of the July 31, 1987, roll call vote in the Senate on adoption of the Gramm-Rudman-Hollings fix be printed in the RECORD.

The material follows:

[From the Washington Post, Aug. 4, 1987]

SHAM-RUDMAN

In June congressional Democrats adopted a budget resolution promising to reduce next year's budget deficit some $37 billion, about half of it through a tax increase. The president responded with the usual non sequiturs. He would never agree to a tax increase, nor to the defense restraint on which the resolution also rests, but no one was a greater champion of deficit reduction than he. To force him out of this enduring fantasyland, members of both parties then said that they would reconstitute the Gramm-Rudman process, which calls for automatic spending cuts split equally between domestic programs and defense, if the president and Congress fail to meet declining deficit targets.

The Senate has now passed its version of this terrifying threat. It turns out to be a gummy compromise that, far from impelling a frightened president to bargain to save his defense buildup, might not impel him—or Congress—to do very much at all. Frankenstein has been transformed into R2D2. Its defenders argue that the alternative is nothing, no enforcement mechanism binding on either branch. Something beats nothing every time. But the deficit targets in this legislation are already an implicit retreat from the budget resolution. They are also carefully set, as a number of Democrats noted last week, so that most of their bite would come only after Ronald Reagan leaves office. The party would continue to be his, the cleanup his successor's.

This is concessional legislation, and disingenuous besides. Sen. Phil Gramm, who should know, said in debate that it was written in part "to try to get a bill that the president will sign." It would likely protect the very presidential priorities that it purports to challenge. That's why the Republicans like it; it would let them have it both ways. That's also why House and some Senate Democrats want to tighten it up in conference, as well they should. The point of this exercise, insofar as it has one, is not to perpetuate the feel-good policy that has prevailed for the past six years. It is to make the president—this president—choose.

[Rollcall Vote No. 218 Leg.]

YEAS—71

Armstrong, Baucus, Bentsen, Bond, Boren, Boschwitz, Breaux, Byrd, Chafee, Chiles, Cochran, Cohen, Conrad, D'Amato, Danforth, Daschle, DeConcini, Dixon, Dodd, Dole, Domenici, Durenberger, Evans, Ford, Fowler, Garn, Graham, Gramm, Grassley, Hatch, Hecht, Heflin, Heinz, Helms, Hollings, Humphrey, Inouye, Karnes, Kassebaum, Kasten, Kennedy, Levin, Lugar, Matsunaga, McCain, McClure, McConnell, Mitchell, Murkowski, Nickles, Nunn, Packwood, Pressler, Proxmire, Pryor, Quayle, Reid, Rudman, Sanford, Sasser, Specter, Stafford, Stennis, Stevens, Symms, Thurmond, Trible, Wallop, Warner, Wilson, and Wirth.

NAYS—21

Bradley, Bumpers, Burdick, Cranston, Exon, Glenn, Gore, Harkin, Hatfield, Johnston, Kerry, Lautenberg, Melcher, Metzenbaum, Mikulski, Moynihan, Pell, Riegle, Rockefeller, Roth, and Sarbanes

NOT VOTING—8

Adams, Biden, Bingaman, Leahy, Shelby, Simon, Simpson, and Weicker.

QUOTES FROM DANTE STEPHENSEN

● Mr. QUAYLE. Mr. President, Dante Stephensen's prose may not burn as brightly as his namesake's inferno, but his favorite and most meaningful quotes are certainly formidable and well worth persuing.

With that in mind, Mr. President, I should like to commend some of those quotes to this body and I ask that they be included in the RECORD.

The quotes follow:

SOME OF DANTE'S FAVORITE AND MOST MEANINGFUL QUOTES (PART I)

Patience and delay achieve more than force and hurry.—De La Fontaine.

Life is not so short but that there is always time for courtesy.—Emerson.

A man's own good breeding is the best security against other people's ill manners.—Lord Chesterfield.

Let tenderness, compassion and good nature be all the fine breeding that you show in any place.—William Lain.

How much more grievous are the consequences of anger than the causes of it.—Marcus Aurelius.

The virtue of man is measured not by his extraordinary exertions but by his everyday conduct.—Pascal.

It is not wealth or ancestry but honorable conduct and a noble disposition that make men great.—Ovid.

It is better to suffer an injury than to do one to another.—Cicero.

No man is hurt but by himself.—Diogenes.

Affluence doesn't necessarily mean happiness and more doesn't necessarily mean better.—Anonymous.

We can change any situation by changing our internal attitude toward it.—Dr. Harry Emerson Fosdick.

It should not be men's act which disturb us . . . instead, it is our own opinions of these acts which disturb us.—Marcus Aurelius.

Men need work first for the good of their soul then for the good of their pocketbooks. All the pensions schemes on earth won't alter that fundamental human necessity.—Elsie Robinson.

Anger blows out the lamp of the mind.—Robert G. Ingersoll.●

INFRASTRUCTURE PANEL REPORT ISSUED

● Mr. DOMENICI. Mr. President, I informed my colleagues a number of weeks ago that the Private Sector Advisory Panel on Infrastructure Financing had completed its work.

Under the leadership of Joseph M. Giglio, this panel of governmental and private sector members studied actions that governments at various levels should take to reduce the huge backlog of infrastructure needs confronting America.

I am particularly pleased that two New Mexicans served with distinction on the advisory panel. They are Harry Kinney, the former mayor of Albuquerque, and Robert O. Anderson of Roswell.

The report does not attempt to compute the backlog; it seeks instead to offer ways American might use to finance work on that backlog.

I am pleased to report to the Senate that this report has been issued as a committee print of the Senate Budget Committee; it is Senate Print 100-40.

It has been an honor for this senator to have generated this study during my service as chairman of the Budget Committee; I thank Chairman CHILES for issuing this helpful report, and I thank all those who worked so hard in the development and writing of the report, particularly the members of

the panel as well as Chambers Associates, which served as staff for this privately financed study.

I ask that a copy of the "Executive Summary" be printed in the RECORD.

The material follows:

EXECUTIVE SUMMARY

America has shortchanged its future.

We need better highways. We need to expand our sewage plants. We need improved garbage disposal, safer bridges, more efficient air traffic systems, cleaner drinking water.

The Panel is convinced that America has fallen behind in building the sinew of infrastructure necessary for the future. Following considerable analysis of methods to finance future infrastructure, the Private Sector Advisory Panel on Infrastructure Financing recommends a number of important initiatives, including:

Creation of a new Infrastructure Trust Fund, financed with $25 billion in special federal contributions over five years, and dedicated to capitalizing state infrastructure banks and revolving loan funds;

Creation of a new, tax-exempt infrastructure bond to help local governments meet local needs; and

Support for public/private partnerships in constructii • and managing infrastructure facilities.

BACKGROUND

To a disturbing extent, America's public facilities are defined by words such as "neglected," "decaying," "inadequate."

Each of us—all 240 million—at some point in our daily routines becomes aggravated with the problem of a clogged highway, a leaking water system, a stream polluted by untreated sewage, an aging subway car. Our roads and freeways are in disrepair. More frightening, we hear too frequently of collapsed bridges.

The physical underpinnings of America's economy have eroded.

Public spending on roads, bridges, and other types of physical infrastructure has declined steadily since the late 1960's. As a percentage of our gross national product, combined annual, federal, state, and local infrastructure investment fell from 3.5 percent of GNP in 1967 to about 2.7 percent of GNP in the mid 1980s. That percentage continues to drop.

Our failure to repair, replace, and expand essential public works is as glaring in the Sunbelt cities of the Southwest as in the older industrial cities of the Northeast.

The accumulated backlog carries a cost of overwhelming proportions. The shortage that will occur between now and the year 2000 has been estimated at $240 billion by the Congressional Budget Office. The Joint Economic Committee of the Congress put the shortfall over the period at $448 billion. Other estimates range much higher. Whatever number is accurate, it is astronomical. The situation appears certain to become more serious if action is not taken.

Why? The reasons are diverse. To a great extent, we see the consequence of choices made at every level of government in the allocation of resources. Instead of spending tax dollars on public works at the rate utilized for many years, America shifted its goals. While such a choice was never presented directly to America's taxpayers, it has been a decision at all levels of government, a decision that robs the future to pay for today.

Since the earliest civilizations, economic growth moved forward with public works. For America, the canals of the Northeast were followed by railroad lines stretched across the continent. We raised dams so the desert might bloom. We stitched together a system of interstate highways to speed travel. Public investment in public facilities added to our productivity, to economic growth, to a better life for all Americans.

As we enter the third century of the Republic, this Panel is convinced that a new national commitment to public works—to our infrastructure—is absolutely essential.

Senator Pete V. Domenici established the Private Sector Advisory Panel on Infrastructure Financing to advise the Senate Budget Committee on the role of the federal government in financing future infrastructure facilities.

The Panel was asked to examine the potential for state and local investments in infrastructure, review new market instruments and debt financing mechanisms, determine the usefulness of new state and local financing institutions such as infrastructure banks and revolving funds, recommend long-term, predictable sources of funding, and investigate the potential for private sector investment in public works.

Simply put, the challenge was to examine options for infrasturcture financing, then recommend effective ways to select and fulfill the best option.

The Panel reviewed activities in several states and held a series of hearings to gain insights and information. The states which participated in case studies included Florida, Indiana, New Jersey, Texas, and Washington. Public hearings were held in Washington, D.C., Albuquerque, Trenton, Indianapolis and Seattle.

The Panel did not attempt to measure the level of need for increased infrastructure funding which has been well-documented in studies by the Joint Economic Committee and the Congressional Budget Office. Instead, the Panel focused on the evolution in governmental responsibility for infrastructure financing, the impact of that shift on state and local financing, and the potential for new and innovative financing mechanisms to meet capital needs.

Should America rely more on the federal government, or on the state and local governments, or on private enterprise? Would we embark on a new wave of federal spending? Should we look for new, creative alternatives in public spending?

Based on its review, the Panel has reached the following conclusions.

CONCLUSIONS

The continued productive capacity of the American economy depends on the availability of adequate basic public facilities. Rebuilding, revitalizing, and expanding America's public infrastructure is imperative to our future.

America's need for more and better public facilities is a national issue that must be addressed nationally. Public works are not only essential for interstate and international commerce, they are essential for the health, safety, and general welfare of the American people.

A significant federal role in building and rebuilding our nation's infrastructure is altogether appropriate. Since both the states and the local governments lack the capacity to address this need equitably and comprehensively, a revived federal involvement is essential.

The federal contribution to infrastructure financing has declined. With the sole exception of outlays earmarked from motor fuel tax receipts in the Highway Trust Fund, federal infrastructure spending has diminished, with state and local interests bearing an increasing share of the burden.

The financial responsibility for meeting America's infrastructure needs has fallen most heavily onto state and local governments. In six categories of public works investment—highways, water supply, wastewater treatment, aviation, mass transit, and water resources—annual federal spending recently was $25.5 billion, compared to non-federal annual spending of $63.6 billion.

As the federal government shifted priorities away from infrastructure financing, new federal laws have mandated state and local compliance with new requirements for water pollution control, clean drinking water, and the clean-up of hazardous wastes. While essential for the public welfare, these new laws provided little in additional funding to assist in meeting the considerable cost of state and local compliance.

States and localities have faced not only the federal shift in priorities but have had to contend with the "taxpayer revolt" which in many localities capped property taxes which are a primary source of revenue for local governments. To contend with the resulting revenue shortfall, local governments have increasingly turned to the bond market to borrow funds necessary to finance infrastructure facilities.

Within the past decade, the annual volume of tax-exempt debt issued for public works rose from just over $6 billion in 1977 to four times that level. State and local governments turned to new forms of loans, debt packages, credit enhancements, and other forms of financing. User fees and other exactions also have become increasingly popular, and many localities are exploring the potential for public/private partnerships.

Yet these initiatives have been insufficient. Demands for public facilities have continued to exceed the ability of State and local governments to respond. State and local governments lack the resources and the flexibility to shoulder the expanding burden of financing America's infrastructure need. Compared to the dimensions of need for new and improved public facilities, state and local resources are insufficient.

Infrastructure banks, revolving loan funds, and other innovative funding systems are being used effectively in a number of states. They offer the potential to become a major sustaining source of financial assistance for local infrastructure investments, when sufficiently capitalized.

Over the years, the federal government has, through the tax code, encouraged investments in public works indirectly through the availability of tax-exempt municipal bonds, favorable depreciation allowances, and investment tax credits. Historically, this indirect federal contribution has provided a substantial and valid subsidy of state and local infrastructure financing.

In recent years, however, increasingly severe restrictions on the use of tax-exempt bonds have made this form of infrastructure financing increasingly difficult. The tax-exempt bond provisions in the 1986 Tax Reform Act are even more restrictive. These provisions will reduce the volume of state and local debt financing, and make even traditional governmental bonds more difficult and more costly to issue.

The new tax code thus complicates and further confounds efforts by state and local government to fill the breach in infrastructure financing.

Increasing use of user fees to finance project costs, as well as supporting adequate operations, maintenance, and repair budgets, is sound policy, and should be incorporated into project planning.

Some of the newer mechanisms for raising special revenues, such as development exactions and impact fees, are effective in areas of rapid growth. These, however, hold limited appeal for areas of slower growth or declining economic base.

Federal regulations and compliance standards may reduce local flexibility and constrain or frustrate the application of cost effective and innovative solutions to local infrastructure needs.

The trend toward private investments in public works facilities and services should be encouraged through federal tax provisions and federal program implementation.

Based on these conclusions, the Panel offers the following recommendations, in order of priority:

RECOMMENDATION ONE

Congress should create an Infrastructure Trust Fund to capitalize infrastructure state banks and revolving loan funds.

Legislation should be enacted to create a trust fund to distribute among the states $5 billion annually for each of five years. This money should be raised from a dedicated, broad-based, new source of taxation, then placed in the Infrastructure Trust Fund for distribution by formula that, among other things, stresses population and land area.

This Federal Trust Fund contribution would go to recipient states once they establish a revolving fund or infrastructure bank to finance needed infrastructure facilities within the state. The contribution from the Trust Fund would provide 80 percent of the capital for each bank or fund, with the state required to contribute the remaining 20 percent.

These revolving funds would provide loans or credit enhancement to build and maintain highways, streets, roads, mass transit, wastewater collection and treatment, solid waste disposal, water supply facilities, and other pressing infrastructure needs.

The states would not be required to repay these Trust Fund grants. But to assure the revolving nature of the state funds or banks, local governments would be required to repay at least the principal amount of all loans.

In the Panel's view, a Trust Fund is preferable to other possible forms of federal assistance such as increased categorical grants. Properly structured, the state banks or funds would replenish themselves, serving as continuing sources of investment capital.

No additional federal capital would be required following the fifth year of the program to make the revolving system work.

Clearly, the total sum available for construction will be contingent upon both the initial capital, the level of state matching funds, and the terms and conditions of loans, guarantees, and other forms of assistance. The Panel estimates that within 15 years, the initial federal capitalization, together with the 20 percent state match, could produce close to $75 million in infrastructure investment, assuming the loans were repaid at 7¼ percent interest. Alternatively, if the same amount of capital—$25 billion in federal grants plus $6.25 billion in state matching funds—were loaned over 10 years, with no interest charged, the program would generate $40.3 billion in new infrastructure work. It must be underscored that America's infrastructure needs far exceed the scope of a program with these assumptions, but this infusion of new capital will create a funding device available in perpetuity.

Each state revolving fund or infrastructure bank should be available for new construction, as well as for rehabilitation and major maintenance and repair of existing facilities.

The additional funds made available under this recommendation must be just that, additional funds. These funds must not be used to supplant existing federal and/or non-federal investments in infrastructure. This is a program to reduce the huge backlog, not simply provide a different source of funding for work that would be accomplished anyway.

To be eligible for funds from a state bank, a local government should be required to document its needs and established capital plans and budgets.

Under this recommendation, the federal government would serve as a catalyst in responding to our national need for infrastructure financing without adding permanently to the size of the federal bureaucracy.

RECOMMENDATION TWO

Congress should create a new category of tax-exempt bond, an infrastructure bond.

With or without an Infrastructure Trust Fund to pump new cash into infrastructure, tax-exempt financing must continue to be available if state and local governments are ever to begin to meet their infrastructure needs.

State and local governments rarely have the funds on hand to finance expensive infrastructure projects. Therefore, they increasingly have had to borrow to pay for needed public improvements. Total outstanding state and local debt in recent years has increased significantly, now totaling more than one-half trillion dollars. A major portion of this increase has been in so-called "private activity" debt.

In the 1986 Tax Reform Act, Congress restricted the scope and availability of tax-exempt financing for private purposes. In seeking to give all taxpayers a fair shake, Congress went too far, in the view of the Panel. The restrictions imposed by Congress will affect not only bonds used for private purposes, but also, many bond issues which fall into the private activity category but are used for traditional governmental purposes.

Under the 1986 Tax Reform Act, vital bond issues for sewage collection and treatment, solid waste disposal, and water supply facilities, among other legitimate public purposes, will often fall under the classification—and limits—of "private activity" bonds. Such bonds are subject to state-by-state volume caps, based on population.

If the volume of bonds issued goes above the annual cap the Act imposes on each state, such bonds will no longer be tax-exempt issues. In which case, financing these necessary facilities will be costlier to the issuer and to the users.

To offset this unintended result, the Panel recommends the creation of this new category of governmental bonds, "infrastructure bonds," which would be excluded from the definition of "private activity" bonds under the federal tax code.

Issues of infrastructure bonds should be allowed to retain reasonable investment earnings on such debt issues. The alternative is simply to pile greater costs onto local governments, and higher fees on the local users.

RECOMMENDATION THREE

Public/private partnerships must be encouraged in infrastructure financing.

Private investment in public facilities offers a sound opportunity to increase substantially the capital available for infrastructure investmetns.

The potential for public/private partnerships in solid waste disposal, wastewater treatment, water supply, transportation, and other areas has been demonstrated in recent years. But federal action is needed to encourage this potential.

Federal executive departments and agencies should follow the example of the Environmental Protection Agency and the Department of Transportation by actively promoting and facilitating public/private partnerships in which the private sector develops, operates, and in some cases owns, needed facilities in cooperation with local government.

These opportunities are most evident in projects such as water supply or sewage treatment. The low and slow rate of return on such facilities requires an early and rapid tax writeoff to maintain a flow of cash sufficient to attract private investment. A faster rate of depreciation under the federal tax law would encourage private investment and participation in the development of such projects.

Sewage treatment and water supply facilities should be placed in the same category with solid waste facilities in the Accelerated Cost Recovery System. Depreciation should be allowed over seven years generally, and over ten years with tax-exempt bond financing.

A federal clearninghouse should be established to coordinate and distribute information on initiatives at every level to encourage public/private cooperation in confronting our infrastructure problems.

RECOMMENDATION FOUR

Federal technical support should be emphasized for all areas of infrastructure development.

Whatever new financing initiatives are undertaken by the federal government, whether in response to these Panel recommendations or other proposals, state and local governments will continue to carry the principal responsibility for building most public works.

Adequately funded, state and local governments can fulfill this responsibility. They can achieve it with greatest efficiency if provided additional technical support from the federal government. This support will be particularly valuable at the local level.

In the administration of various categorical grant programs, federal agencies have accumulated vast technical experience and expertise. As some of these grant programs wane, this wisdom may be lost. This must not occur. New emphasis should be given to make this federal experience and expertise available to state and local governments.

In this way, non-federal officials should be able to make better decisions on design, development, operation, maintenance, and other aspects of building and rebuilding needed public facilities.

RECOMMENDATION FIVE

Existing Federal Trust Funds for infrastructure must be preserved as an essential federal component for constructing infrastructure.

The existing highway, airport, and waterway trust funds help assure a more stable and reliable level of funding for certain in-

frastructure purposes. As devices for revenue collection and allocation, dedicated trust funds are very effective. They promote better planning, management, and budgeting at the state and local level.

The utility of trust funds to assist state and local capital investment planning is best served when disbursements are dependable and timely, and Congress should act promptly on reauthorizations and annual appropriations.

RECOMMENDATION SIX

Federal agencies should review standards and regulations related to infrastructure programs.

A review of federal regulations is needed to assure that the standards and regulations permit and encourage cost-effective solutions, plus innovations in design, technology, and response, and in no way frustrate or discourage non-federal initiatives.

In particular, a thorough review is needed of federal compliance standards to assure that life-cycle cost analysis is encouraged, that new investment is not encouraged at the expense of efficient operations of existing facilities, and that innovative techniques with the promise of superior performance have every opportunity to demonstrate their value.

The panel offers these six recommendations not as a solution to all of our infrastructure problems, but as a step—a major step—toward overcoming those problems.●

S. 1345—LICENSING OF PARIMUTUEL PARTICIPANTS

● Mr. D'AMATO. Mr. President, under present regulations, all parimutuel participants in horse racing, dog racing, and jai alai must be licensed. A license must be obtained each year in any State where a participant will operate. Each State then processes the application, a costly, time-consuming, and largely duplicative process.

Since modern racing demands much interstate travel for jockeys, trainers, and other athletes, in many cases several investigations are done on the same individual. For example, if a person is going to race in six States, each of the States conducts its own investigation, including FBI background checks on each applicant.

To streamline and improve this licensing process, the National Association of State Racing Commissioners [NASRC] favors a multi-State licensing system. Under S. 1345, introduced by my distinguished friend from Kentucky, Senator MCCONNELL, an applicant would file just one application with the NASRC. NASRC would then run the criminal background check and share the information with the States involved. This bill would give the NASRC access to, and the authority to share, presently restricted FBI information with the States and individual commissioners.

This modification of FBI restrictions called for in this legislation would not broaden access to criminal records. Each member of the NASRC is a State racing commissioner, appointed by the Governor. Simply put, they already have access to FBI criminal records. No individuals other than State-appointed racing commissioners are entitled to full membership or to hold office in the NASRC.

Since 1934, the NASRC has functioned as a repository and distribution center for all official rulings by stewards and racing commissioners. As racing grows, so does this file of rulings. The NASRC handles and distributes over 500 rulings every week. It has a massive computerized national filing system already in place, to which every jurisdiction has access for quick and efficient dissemination of appropriate information. It is fully capable of fulfilling the role imposed on it by this legislation.

To briefly summarize the advantages: First, applicants need only submit one application, one fingerprint card, and one check annually to the NASRC. While the program is voluntary, if widely used it would significantly reduce the administrative cost and inconvenience of licensing.

Second, each State would retain the right to apply its own licensing standards to each applicant. No State would be bound by the certification of another State.

Finally, the States' regulatory efforts will be vastly enhanced by the availability of annually updated criminal records, permitting the racing commissions to do an even better job of protecting the integrity of the sport.

Mr. President, S. 1345 is a good idea whose time has long since come. I urge my colleagues to support this bill.●

S. 1437—IMMUNITY LIMITATIONS

● Mr. D'AMATO. Mr. President, I rise in support of S. 1437, introduced by my distinguished friend from North Carolina, Senator HELMS. The purpose of this legislation is to place a limit on the immunity granted to certain members of foreign diplomatic missions and consular posts in the United States.

The number of innocent Americans who fall victim to diplomatic crime and criminal negligence is alarming. In the past year there have been 31 cases involving diplomats in the Washington area alone. The seriousness of these incidents across the spectrum has ranged from aggravated assault to shoplifting; but these are real crimes with very real victims.

The Vienna Convention of 1961 requires diplomats to respect the laws of the receiving state. Nevertheless, the record shows that American citizens are literally helpless against diplomats who break or want to ignore our laws.

The Diplomatic Relations Act of 1978 requires that diplomats carry auto insurance. It also provides to the accident victim a direct right of action against the insurance company. Laudably designed to provide some compensation to American citizens, it has unfortunately proven almost impossible to enforce. Many diplomats neglect to get insurance; American citizens continue to be defenseless and at risk.

Except for those involving auto insurance, no regulations protect Americans from diplomatic crime. Foreign diplomats cannot be prosecuted here, but can be declared persona non grata, and forced to leave the country. It will take more than the threat of expulsion for diplomats to take our laws seriously.

There is certainly a need to grant reasonable, limited privileges to foreign emissaries, so that our own missions can be provided reciprocity in other nations. But there is no need to let members of diplomatic staffs or their families literally to get away with murder.

I urge my colleagues to protect our innocent citizens and support this legislation.●

INFORMED CONSENT: ILLINOIS

● Mr. HUMPHREY. Mr. President, today I would like to insert into the RECORD two letters from women who support my informed consent legislation, S. 272 and S. 273. Today's letters come from the State of Illinois.

I ask that the letters from women in Illinois be inserted in the RECORD.

The letters follow:

FEBRUARY 13, 1987.

DEAR SIR: I was encouraged by Concerned Women For America to write to you about past abortions I have had. This is in reference to the consent bill you will introduce this year.

I have undergone three abortions in my life and I am 28 years old now. The last abortion I had was in 1982. Two of them were performed by Family Planning and one by a doctor in his office. At the time I was not a Christian and had no idea that what I was doing was wrong. I wouldn't expect an abortionist to tell me about Christ, however, no one told me anything about what it would do to me physically, mentally or spiritually. Basically, everyone told me that all I was getting rid of was just a very small blood clot and there was absolutely no danger and nothing wrong with what I was doing.

There was no mention of options, such as having the baby; giving the baby up for adoption, or keeping it. There was really no discussion on why I was not on birth control and how to prevent this type of thing in the future. They only asked me if I wanted valium during the procedure.

The first abortion I had I was 21 and I was about 2 months along and the last one I was 24 and was 6 weeks along. At no time was I informed that I was killing anything or shown what the baby looked like at the developmental stage. I was never encouraged to get on birth control and counseled on why I kept getting pregnant.

I had no Christian up-bringing and honestly didn't think there was anything wrong with it. I also had no idea that it could do damage to my body. To this day I have no idea if I can carry a child through to full

term. I don't know what type of damage having those abortions did to me physically. I do know what it did to me mentally and spiritually. It took me a long time to forgive myself and to forgive the abortionist. If they had been honest with me when I was 18 years old, I would have had the child and it is doubtful I would have continued the destructive behavior patterns set forth over the past years.

The point is that I did have three abortions and was never offered an alternative. I feel that abortionists are no different than businessmen or women. It's all a matter of dollars and cents, it's a money making business and doing the right thing has absolutely nothing to do with it. I am very much against abortion, I don't feel they should be performed under any circumstances. However, at the very least, women out there should know the truth about what they are really doing to themselves, both body and mind. I feel that it women could see both sides of the issue and understand that they are taking a human life not washing away a tiny blood clot, there would be far fewer abortions.

I have written this letter to hopefully help you with your great and difficult struggle. I am going to sign my name proudly because I am forgiven for what I did and hope that other women can benefit in some small way from this letter.

God Bless you for what you are trying to do. I truly believe that just one man can change history and change the world. I hope that you are that man that will help to stop the silent screams.

Sincerely,

TERI K. STROUSE,
Illinois.

JUNE 3, 1986.

DEAR SENATOR HUMPHREY: I would like to address the "Informed Consent Legislation" that deals with abortion.

I had my abortion 7½ years ago. There was no information given out at the time I consented to the abortion. The hospital did not tell me about fetal development, side effects of any kind.

I would like to say that the immediate months that followed were the most miserable months of my entire life in terms of emotional disorder. I was very, very close to a total mental breakdown. I could not make simple decisions to prepare an evening meal for my husband and child. I could not decide how to do a load of laundry. In other words I had ceased to function in my daily routine as a wire and mother which is as directly related to the abortion.

Abortion leaves many scars that take years to get over. Thank God, I have prayer and his hand of my life. I can say I am completely healed from the abortion. However, there are thousands of women who carry their abortion scars very close to the surface. We need to be rid Roe versus Wade once and for all!

Sincerely,

Name Withheld Upon Request,
Illinois.●

UEL HURD, DEDICATED SCOUT LEADER RETIRES

● Mr. DANFORTH. Mr. President, one of the most decorated leaders in Scouting, Uel Hurd of Kansas City, recently retired after more than 53 years as Scoutmaster of Troop 87 of the Kansas State School for the Deaf. Uel Hurd, who has been deaf since the age of 3, was the first deaf Eagle Scout in Kansas, one of 25 Scoutmasters to receive special recognition for work with the disabled, and the first deaf Scoutmaster to receive the Silver Beaver, the highest award in Scouting.

A Life Scout from Raytown, MO, 14-year-old Matt Woodruff, recently wrote to ask if I would bring Mr. Hurd's striking accomplishments to the attention of the Senate. I am pleased to do so, and ask unanimous consent that the Kansas City Star's report on Uel Hurd's illustrious career in Scouting be included in the CONGRESSIONAL RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Kansas City Star, May 27, 1987]

SCOUT LEADER A SILENT HERO FOR 53 YEARS

(By John North)

The flat-brimmed, tattered Stetson was Uel Hurd's first and favorite scoutmaster hat, the one that took him through miles of woods and more than half his 53 years as leader of the Kansas State School for the Deaf's Troop 87.

Plucking the faded brown hat from a pile of scouting keepsakes in his Olathe home, he patted it smartly down on his head, stuck out his chin and gave a curt nod.

Then Hurd, who has been deaf since he was 3, began to sign.

"If you were in the woods with this hat, you could go right through anything in your way," he said, as interpreter Jodine Trout followed the cadence of his right hand. "Whenever I would see a guy wearing this kind of hat, I'd walk up to him and shake his hand. 'You're a scoutmaster,' I'd say to him. 'We're both the same.' "

This spring Hurd, 76, is putting away his hat, his chestful of badges and his scouting career. One of the most decorated leaders in scouting is retiring to spend more time at home with his wife Ina of more than 45 years.

Almost everybody who knows him is sorry to see him quit.

"He was a role model like we've never had before," said Gerald Johnson, superintendent of the school for the deaf in Olathe. "He literally influenced two or maybe three generations of boys who came through here."

His tenure set no records for a scoutmaster, but "we think it is significant that a man like Mr. Hurd has been able to accomplish what he has," said Frank Hebb, spokesman for the Boy Scouts of America national headquarters in Irving, Texas.

Hurd, who was born in Kansas City, Kan., was the first deaf Eagle Scout in Kansas, one of 25 scoutmasters to receive a special award for work with disabled people and the first deaf scoutmaster to receive the Silver Beaver, the organization's highest award.

The plaques and medals have been nice, and Hurd has a roomful to show to admirers, but his greatest joy was setting out on a weeklong hike with some of the hundreds of boys he led through the years.

Over deep Canadian ponds and through dusty New Mexico canyons silent troops followed Hurd. They canoed through water so pure that they could life their paddles and drink the water, he said.

Three times he took a group of boys to the Philmont Scout Ranch near Cimarron, N.M., for two weeks. Twice, most recently in 1985, he and his scouts hiked from northern Minnesota and Wisconsin into Canada.

"Mr. heart is strong for scouting," said Hurd, who retired as a cabinet-making teacher at the state school in 1984. "It has been so helpful to young boys and girls."

He helped boys catch their first fish, build their first fire and scare off their first bear.

Once, Troop 87 was being him while he used a makeshift shower when a carload of girls drove up to tell the scouts about a fire in town. The boys scattered and left Hurd to fend for himself.

"Here I was, supposed to be the scoutmaster, and I'm standing nude in front of a bunch of girls," he signed, his face splitting into a grin.

There also were hard times. Returning from a trip out West some years ago, the troop's car was involved in an accident near Cody, Wyo., and a scout was killed.

"Hurd spend many sleepless nights consoling the boys," said Lloyd Parks, a former school principal and troop chairman. "Uel is, well, I just can't say enough about him. He is a tremendous person with young people."

Hurd isn't leaving scouting completely. He has assumed the role of unit commissioner and will act as a helper when the new scoutmaster needs him.

Until then, he will work on his second greatest passion—fixing things around the house.

"I love to do repair jobs," he said. "I want to get things fixed up, make them look new again. And if the boys need help, they'll call me."●

SENATE JOINT RESOLUTION 173, TO COMMEMORATE THE 200TH ANNIVERSARY OF THE SIGNING OF THE U.S. CONSTITUTION

● Mr. DOMENICI. Mr. President, our Constitution is part of the political heritage of every American. As the first three words of the Constitution—"We the People"—make clear, we are a nation of people governing themselves.

Today I am pleased to join my good friend from Nevada [Mr. REID] as a sponsor of Senate Joint Resolution 173. This resolution commemorates the bicentennial of the Constitution by calling upon the leaders of the Nation, as well as all citizens of America, youth and adult alike, to read the Constitution to become more knowledgeable about our national heritage.

This is an excellent idea.

Two hundred years ago, a group of citizens—ordinary in many ways, extraordinary in so many others—drafted a Constitution, a charter for democratic government, a charter that for two centuries has been a beacon of liberty.

The Constitution secures the "Blessings of Liberty, to ourselves and our Posterity", as stated in its preamble. It embodies the ideal of freedom and democracy. The Constitution is a testament to that ideal. It applies that ideal of freedom and democracy to the lives of each U.S. citizen every day.

91-059 O-89-21 (Pt. 16)

What a marvelous document it is! Reading through it, one finds concepts that are amazingly simple, but concepts from which the vitality of America flows. It lays out the checks and balances among the branches of the National Government. It is here where the fathers of America joined our independent States into a Federal System, a National Government of limited power and representative democracy.

The Constitution, of course, created our National Legislature of two houses and an independent judiciary, institutions securing individual liberties and providing for the stability of democracy itself.

The U.S. Constitution is built upon the bedrock of certain unalterable values. Immediately after the Constitution was adopted, the Bill of Rights was incorporated to ensure that certain inalienable rights were guaranteed to Americans. That document remains the most significant articulation for free people ever written.

The Constitution, however, was not a perfect document. There were provisions in the original document that we find repugnant, and contrary to the ideals of freedom and democracy. The original document specifically permitted the importation of slaves and the forced return of fugitive slaves.

But much of the Constitution's strength rests upon its adaptability, the process that permits amendments, a process allowing each new generation to strengthen the Constitution.

Yet, Mr. President, in today's hectic society, we often seem to have an apathy toward the rights and values defined in our Constitution. At a time when liberty and democracy are threatened constantly, we must continually remind ourselves of the rights and freedoms and responsibilities laid down in the Constitution.

In honor of the bicentennial of the Constitution, I sponsored an essay contest for young students in New Mexico. Students from throughout the State were asked to write essays on how the separation of powers strengthened our Government. From nearly 300 entries, 15 winners were selected and will visit Washington, Philadelphia, and Williamsburg next week.

I'm proud of these bright young men and women. More young Americans must be encouraged to familiarize themselves with our Constitution. Adults, too, need to review and reflect upon it, and the values it represents. Maybe most of all, officials of Government—Members of Congress, judges, officials of the executive branch—need to reread the document, for we are its living instruments.

Democracy requires participation. Our Founding Fathers fought hard, both physically and intellectually, to secure the blessings of liberty. They wrote a Constitution in language that was clear and precise to the average citizen.

If the liberties laid down in the Constitution are ever lost, it will not be because the Constitution has failed us. It will be because Americans have failed to hold high the standard left to us in this marvelous document. If we fail to understand this charter for liberty, we run the risk of losing it.

Mr. President, I am proud to join as a cosponsor of Senate Joint Resolution 173, and I encourage every Member of this body, as well as every American, to take the time to read the Constitution, not just during this bicentennial year, but each year.

Its strength is our strength.●

IN RECOGNITION OF NORMAN D. HELLMERS, SUPERINTENDENT, LINCOLN BOYHOOD NATIONAL MEMORIAL, NATIONAL PARK SERVICE

● Mr. QUAYLE. Mr. President, as you know, Abraham Lincoln spent the formative years of his life in the State of Indiana. While growing up in Indiana, Lincoln developed many of his basic values that provided the framework for his leadership and statesmanship through the most tumultuous times in our country's history.

To focus attention on Lincoln's early years in Indiana, I am sponsoring "Hoosier History Days," which will be held at the Lincoln Boyhood National Memorial on August 8–9, 1987, in Lincoln City, IN. The Lincoln Boyhood Memorial is part of the National Park Service and has as its theme Lincoln's Indiana boyhood.

The successful planning and execution of this event would not have been possible without the expert assistance of the superintendent of the Lincoln Boyhood National Memorial, Mr. Norman D. Hellmers. Superintendent Hellmers is a native of New Orleans, LA. He attended Concordia College in River Forest, IL, and joined the National Park Service in 1972. He became the superintendent of the Lincoln Boyhood National Memorial in 1981.

Norm Hellmers lives in Lincoln City with his wife, Pat, and two children, Jennifer and Jeffery.

Superintendent Hellmers has worked tirelessly to ensure the success of "Hoosier History Days." From beginning to end he has been deeply involved with every stage of this event. He deserves both praise and respect for his diligent work and desire to promote Lincoln's Hoosier roots.

Mr. President, it has been my great pleasure to work with Superintendent Hellmers. His professionalism and dedication have been inspirational to me and all the others associated with "Hoosier History Days." He is a tremendous asset to the National Park Service and the preservation of Abraham Lincoln's boyhood.●

NATIONAL CITIZEN BEE

● Mr. DANFORTH. Mr. President, young people in every State have participated in the programs of the Close-Up Foundation. I know my colleagues are familiar with the efforts of Close-Up to strengthen the understanding of Young Americans of our system of government.

Today, I am pleased to draw attention to a new initiative of the foundation, the National Citizen Bee, and to the distinction earned by two students from my State in the second national competition.

John-Peter Pham, 16, who lives near St. Peters, MO, is the national winner of the Citizen Bee competition. John-Peter, a recent graduate of St. Dominic High School in O'Fallon, MO, was one of about 8,000 students in 17 States who competed.

Jerffrey Kubik, 17, a senior at McCluer North High School in Florissant, MO, was runner-up in the Missouri competition and ninth in national competition.

The Citizen Bee tests knowledge of American history, economics, government, culture, geography and current events. In Missouri, the St. Louis Post-Dispatch developed the Citizen Bee Program with support from the Pulitzer Foundation and the Monsanto Fund. Nationally, Citizen Bee is sponsored by the Milken Family Foundation, Peat Marwick Main & Co., RJR Nabisco, Inc., and others.

Sandra Dimond, Newspapers in Education Coordinator for the Post-Dispatch, worked with great energy and dedication to establish the Missouri Citizen Bee. All who seek to strengthen the understanding of Democratic institutions and our system of government owe a debt of gratitude to Ms. Dimond.

I am pleased to extend congratulations to John-Peter Pham and Jeffrey Kubik and to call attention to the efforts of so many individuals to bring the institutions of self-government closer to young Americans.●

SENATORIAL ELECTION CAMPAIGN ACT

The Senate continued with the consideration of S. 2.

Mr. BYRD. Mr. President, what is the pending business before the Senate?

The PRESIDING OFFICER. The question before the Senate is S. 2.

Mr. BYRD. I thank the Chair.

BILL PLACED ON CALENDAR—H.R. 2309

Mr. BYRD. Mr. President, I ask unanimous consent to place on the calendar H.R. 2309.

The PRESIDING OFFICER. Without objection, it is so ordered.

JOINT RESOLUTION PLACED ON CALENDAR—S.J. RES. 175

Mr. BYRD. Mr. President, I ask unanimous consent that the Commerce Committee be discharged from further consideration of Senate Joint Resolution 175, relating to the location of the competition for the World Cup of the World Soccer Games in 1994, and that the joint resolution be placed on the calendar.

The PRESIDING OFFCIER. Without objection, it is so ordered.

ORDERS FOR TOMORROW

ORDER FOR ADJOURNMENT UNITL 11 A.M.

Mr. BYRD. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in adjournment until the hour of 11 o'clock tomorrow morning.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER OF PROCEDURE

Mr. BYRD. Mr. President, I ask unanimous consent that no motions or resolutions over, under the rule, come over; that the call of the calendar be waived, and that following the two leaders under the standing order there be a period for morning business not to extend beyond the hour of 11:30 a.m., with Senators to be permitted to speak therein up to 5 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

REMOVAL OF INJUNCTION OF SECRECY—TREATY DOCUMENT NO. 100-8

Mr. BYRD. Mr. President, as in executive session, I ask unanimous consent that the injunction of secrecy be removed from the Treaty with the United Kingdom of Great Britain and Northern Ireland Concerning the Cayman Islands relating to Mutual Legal Assistance in Criminal Matters (Treaty Document No. 100-8), which was transmitted to the Senate today by the President of the United States.

I further ask that the treaty be considered as having been read the first time; that it be referred, with accompanying papers, to the Committee on Foreign Relations and ordered to be printed; and that the President's message be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The message of the President is as follows:

To the Senate of the United States:

With a view to receiving the advice and consent of the Senate to ratification, I transmit herewith the Treaty between the United States of America and the United Kingdom of Great Britain and Northern Ireland concerning the Cayman Islands relating to Mutual Legal Assistance in Criminal Matters, with protocol, signed at Grand Cayman on July 3, 1986, and related notes. I transmit also, for the information of the Senate, the report of the Department of State with respect to the Treaty.

The Treaty concerning the Cayman Islands provides for a broad range of cooperation in criminal matters. Mutual assistance available under the Treaty includes: (1) executing requests relating to criminal matters by undertaking diligent efforts, including the necessary administrative or judicial action (e.g., for the issuance of subpoenas and search warrants), without cost to the Requesting Party; (2) taking of testimony or statements of persons by noncompulsory or compulsory measures; (3) effecting the production, preservation, and authentication of documents, records or articles of evidence; (4) providing assistance to each other in proceedings for forfeiture or restitution of proceeds of an offense or for imposing fines; (5) serving judicial documents, writs, summonses, records of judicial verdicts, and court judgments or decisions; (6) effecting the appearance of a witness before a court of the Requesting Party; (7) locating persons; and (8) providing judicial records, evidence, and information.

I recommend that the Senate give early and favorable consideration to the Treaty and give its advice and consent to ratification.

RONALD REAGAN.

THE WHITE HOUSE, *August 4, 1987.*

ORDER OF PROCEDURE

Mr. BYRD. Mr. President, does the distinguished Republican leader have any further statement he wishes to make or any business he suggests that we transact?

Mr. DOLE. If the majority leader will yield, I have indicated a number of hopeful possibilities that we might start on tomorrow. I would indicate to the majority leader that we are down to one problem on the castastrophic coverage. I am not certain we will be able to complete it this week because of a couple of amendments. Prompt payment was almost cleared on this side, though we did hit a last-minute snag. That might be a possibility for tomorrow.

The State Department authorization we will check on the first thing in the morning and see if we can proceed with the State Department authorization.

On the DOD authorization bill, which you called to my attention, I must say we can probably not get consent to proceed to that.

There is a commodity bill on the calendar which I understand might have unanimous consent to complete.

Mr. President, the staff is doing a good job and will continue to drum up some business. What we do not complete this week will be here when we get back and I think that will create a greater problem for all of us, including Members, if they do not cooperate this week. It will be an extra week for them to stay in November or December.

Mr. BYRD. That is right. They can do their Christmas shopping in Washington.

Mr. President, I thank the Republican leader. There are several resolutions out of the Rules Committee and I hope we can clear and have placed on the calendar. There are several other measures that might be able to be transacted by unanimous consent which I have on my marked calendar. In the morning we will start anew and I hope we can have something before the Senate tomorrow. Otherwise, the Senate will be back on S. 2, the campaign financing reform bill.

I would suggest to Senators that in all likelihood there will be rollcall votes tomorrow.

Mr. President, I thank the Republican leader.

ADJOURNMENT UNTIL TOMORROW AT 11 A.M.

Mr. BYRD. Mr. President, there being no further business to come before the Senate, in accordance with the order previously entered I move that the Senate stand in adjournment until the hour of 11 a.m. tomorrow.

The motion was agreed to and the Senate, at 6:51 p.m., adjourned until Wednesday August 5, 1987, at 11 a.m.